



City of Mbombela
Unaudited annual financial statements
for the year ended 30 June 2020

City of Mbombela

(Registration number MP326)

Unaudited Annual Financial Statements for the year ended 30 June 2020

General Information

Nature of business and principal activities

The City of Mbombela was established as a Category B municipality as determined by the Demarcation Board in terms of Section 4 of the Municipal Demarcation Act and the Provincial Gazette No 2721. The principal activities of the City are to provide services to communities in a sustainable manner, promoting social and economic development and encouraging the involvement of communities and community organizations in the matters of local government in accordance with Section 152 of the Constitution.

Members of Council

Cllr SP Mathonsi	Executive Mayor
Cllr GS Siwela	Speaker
Cllr ME Nsimbini	Chief Whip

Members of the Mayoral Committee (MMC) and their portfolios

Councillor	Portfolio
Cllr BN Mdhuli	MMC City Planning and Development
Cllr AS Mthunya	MMC Corporate Services
Cllr PP Nyalunga	MMC Public Safety
Cllr PV Mashego	MMC Energy
Cllr C Maseko	MMC Public Works, roads and transport and leader of Government Business
Cllr LT Mlombo	MMC Strategic Management Services
Cllr NE Gecelo - Mkhabela	MMC Financial Management
Cllr A Kumba	MMC Regional Centre Co-ordination
Cllr LE Nyalungu	MMC Water and Sanitation
Cllr MM Mlimi	MMC Community Services

Councillors and their wards

Councillor	Ward	Councillor	Ward
Cllr EA Fankomo	1	Cllr MC Mhlanga	25
Cllr JJ Mhlanga	2	Cllr TM Bulunga	26
Cllr DJ Nkosi	3	Cllr DB Nkosi	27
Cllr DD Ngwenyama	4	Cllr SR Masuku	28
Cllr MJ Malomane	5	Cllr TK Nyathi	29
Cllr HB Fakude	6	Cllr R Torr	30
Cllr SM Banda	7	Cllr BA Nyalunga	31
Cllr SE Mbuyane	8	Cllr KG Ndhlovu	32
Cllr EM Sebashe	9	Cllr EK Manzini	33
Cllr DDT Ngobe	10	Cllr RF Mgwenya	34
Cllr EM Mutobvu	11	Cllr RQ Seepsop	35
Cllr BP Nkhoma	12	Cllr JJ Khoza	36
Cllr A Thabethe	13	Cllr NM Maganga	37
Cllr KM Mkhonto	14	Cllr ST Masha	38
Cllr T Marshall	15	Cllr SI Mokoena	39
Cllr KA Oliver	16	Cllr LM Sikonela	40

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Cllr S Van Der Merwe	17	Cllr LM Bhembe	41
Cllr JB Mashaba	18	Cllr MC Nkosi	42
Cllr DB Mkhathswa	19	Cllr HL Shongwe	43
Cllr LC Sibiya	20	Cllr JJ Mkhabela	44
Cllr NA Mokoena	21	Cllr LB Nkosi	45
Cllr TM Pila	22		
Cllr ME Mhawule	23		
Cllr NL Lukhele	24		

Proportional Representative Councillors (PR)

Councillor	Ward	Councillor	Ward
Cllr PP Mbowane	1	Cllr DA Nyundu	25
Cllr MC Mhlanga	2	Cllr ME Nsimbini	26
Cllr SR Schorman	3	Cllr AS Mthunywa	27
Cllr LT Mlombo	4	Cllr MJ Hlophe	28
Vacant	5	Cllr JV Mhlaba	29
Cllr K Mdhuli	6	Cllr PV Mashego	30
Cllr JM Mazibane	7	Cllr PCW Minaar	31
Vacant	8	Cllr MG Moyana	32
Cllr MM Mlimi	9	Cllr GM Nkambule	33
Cllr EN Sibambo	10	Cllr FS Nkosi	34
Cllr WW Motha	11	Cllr VS Gwebu	35
Cllr HP Celliers	12	Cllr SP Mathonsi	36
Cllr NE Gecelo - Mkhabela	13	Cllr WP Sibiya	37
Cllr BP Mhlanga	14	Cllr SE Makushe	38
Cllr EG Janse van Rensburg	15	Cllr L Maseko	39
Cllr GCB Anthony	16	Cllr BN Mdlhuli	40
Cllr C Maseko	17	Cllr TG Mabuza	41
Cllr TM Charles	18	Cllr ME Jacobs	42
Cllr LE Nyalungu	19	Cllr A Kumba	43
Cllr LE Siboza	20	Cllr MS Mashele	44
Cllr L Ngwenyama	21	Vacant	45
Cllr PP Nyalunga	22		
Cllr GS Siwela	23		
Cllr DE Shongwe	24		

Audit and Performance Committee

Mrs TH Mbatha	Chairperson
Ms LWS Ngwenya	Member
Mr SM Ndukuya	Member
Ms SL Lubisi	Member

Municipal Manager
Chief Financial Officer

Mr. WJ Khumalo
Ms. ZP Malaza

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General Information

Registered office	Mbombela Civic Centre
Physical address	Civic Centre 1 Nel Street Mbombela 1200
Postal address	P.O. Box 45 Mbombela 1200
Bankers	ABSA bank Mbombela 2nd Floor, ABSA Square 20 Paul Kruger Street Mbombela 1201
Auditors	Auditor General South Africa - Mpumalanga 10 Nel Street Mbombela 1200
Telephone number	(013) 759 9111
Fax number	(013) 759 2002
Website address	www.mbombela.gov.za
Enquiries:	
Building plans	(013) 759 2184
Electricity	(013) 759 2231
Water and sewerage	(013) 759 2580
Customer care	(013) 759 2025 / 2064
Paypoints:	
White River	(013) 751 1176
KaNyamazane	(013) 794 1254
Matsulu	(013) 778 9061
Kabokweni	(013) 796 0227
Hazyview	(013) 737 7346
Mbombela Civic Centre	(013) 759 2025 / 2064
Mbombela - The Groove	(013) 759 9912 / 9913
Barberton	(013) 712 8800 / 2121
Libraries:	
Kabokweni	(013) 796 1082 / 0590
Matsulu	(013) 778 9864 / 9000
Mbombela	(013) 759 2077
Nelsville	(013) 755 4788

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

General Information

White River	(013) 750 9125 / 6039
Victory Park	(013) 759 2089
Hazyview	(013) 737 7220 / 7346
Barberton - Town Library	(013) 712 8800 / 2121
Barberton - Emjindini Library	(013) 712 8800 / 2121

Municipal entity

City of Mbombela Development Agency

The City holds 100% shares of the City of Mbombela Development Agency which is a wholly owned municipal entity. The objectives and functions of the agency (entity) is to drive and champion local economic development initiatives in order to achieve job creation and poverty alleviation as per the National Development Plan and also to promote investment attraction and SMME development.

The details of the entity are as follows:

Registered Name:	City of Mbombela Development Agency 1 Nel Street Civic Centre Mbombela 1200
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Telephone number:	013 759 9111
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City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

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The following supplementary information does not form part of the unaudited annual financial statements and is unaudited:

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Acronyms

DBSA	Development Bank of Southern Africa
DME	Department of Minerals and Energy
DWS	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act No 56 of 2003
MIG	Municipal Infrastructure Grant
MSIG	Municipal System Improvement Grant
PAYE	Pay as You Earn
PR Councillor	Proportional Representative Councillor
PPE	Property Plant and Equipment
PTNG	Public Transport Network Grant
R	Rand
RUL	Remaining Useful Life
SARS	South African Revenue services

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Approval and certification of Annual Financial Statements

I am responsible for the preparation of these unaudited annual financial statements, which are set out on pages 7 to 127, in terms of Section 126(1) of the Municipal Finance Management Act No 56 of 2003 and which I have signed on behalf of the Municipality. The unaudited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), other applicable accounting standards and reporting framework approved by the Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. These financial statements fairly presents the state of affairs of the municipality, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at 30 June 2020.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 38 of these unaudited annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act:

Mr. WJ Khumalo
Municipal Manager

City of Mbombela

(Registration number MP326)

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	2	35,060,021	27,144,664
Operating lease asset	3	18,896	90,708
Other receivables from exchange transactions	4	31,262,615	33,783,113
Statutory receivables	5	116,013,456	115,293,035
VAT receivable	6	116,006,715	115,199,953
Trade receivables from exchange transactions	7	323,743,429	166,097,387
Deposits made	8	5,569,965	5,186,819
Current portion of long-term receivables from non-exchange transactions	9	430,746	149,186
Cash and cash equivalents	10	73,019,665	125,696,817
		701,125,508	588,641,682
Non-Current Assets			
Investment property	11	328,136,959	330,446,369
Property, plant and equipment	12	7,201,082,851	7,227,949,725
Intangible assets	13	14,467,706	15,505,845
Heritage assets	14	2,301,970	2,301,970
Other financial assets	15	100	100
Long-term receivables from non-exchange transactions	9	2,585,925	2,531,548
		7,548,575,511	7,578,735,557
Non-Current Assets		7,548,575,511	7,578,735,557
Current Assets		701,125,508	588,641,682
Total Assets		8,249,701,019	8,167,377,239
Liabilities			
Current Liabilities			
Current portion of borrowings	16	57,408,514	53,200,621
Finance lease obligation	17	-	2,818,416
Trade and other payables from exchange transactions	18	2,179,835,637	1,856,707,156
Other payables from non-exchange transactions	19	60,660,333	59,409,902
Consumer deposits	20	42,874,702	40,282,191
Current portion of post employment benefit liability	21	4,408,000	4,270,448
Unspent conditional grants and receipts	22	72,083,882	101,912,901
Current portion of provisions	23	14,932,875	13,022,864
Other financial liabilities	24	4,363,967	3,853,005
		2,436,567,910	2,135,477,504
Non-Current Liabilities			
Non-current portion of borrowings	16	195,845,025	213,180,419
Operating lease liability	3	100,184	233,676
Non-current portion of post employment benefit liability	21	150,942,999	165,363,558
Non-current portion of provisions	23	240,387,216	239,337,367
		587,275,424	618,115,020
Non-Current Liabilities		587,275,424	618,115,020
Current Liabilities		2,436,567,910	2,135,477,504
Total Liabilities		3,023,843,334	2,753,592,524

* See Note 49

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position

Figures in Rand	Note(s)	2020	2019 Restated*
Assets		8,249,701,019	8,167,377,239
Liabilities		(3,023,843,334)	(2,753,592,524)
Net Assets		5,225,857,685	5,413,784,715
Accumulated surplus		5,225,857,685	5,413,784,715

* See Note 49

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Sale of goods and rendering of services	25	12,258,405	12,420,493
Service charges	26	1,303,946,246	1,241,828,084
Rental of facilities and equipment	27	9,510,077	11,676,380
Agency services	28	40,108,580	42,316,544
Licences and permits	29	2,991,873	3,260,826
Other income	30	40,940,989	50,726,360
Finance income	31	50,308,123	34,938,831
Gain on impairment reversal	32	115,993,629	50,838,131
Total revenue from exchange transactions		1,576,057,922	1,448,005,649
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	33	651,716,932	631,259,690
Transfer revenue			
Government grants & subsidies	34	1,351,323,161	1,226,255,990
Public contributions and donations	35	-	11,148,491
Fines, penalties and forfeits	36	14,400,814	10,321,426
Total revenue from non-exchange transactions		2,017,440,907	1,878,985,597
Total revenue from exchange transactions		1,576,057,922	1,448,005,649
Total revenue from non-exchange transactions		2,017,440,907	1,878,985,597
Total revenue		3,593,498,829	3,326,991,246
Expenditure			
Employee related costs	37	(1,010,610,519)	(939,522,989)
Remuneration of councillors	38	(58,537,188)	(39,466,130)
Inventory consumed	39	(52,216,800)	(50,343,245)
Depreciation and amortisation	40	(551,510,226)	(505,569,230)
Finance costs	41	(80,084,037)	(90,665,330)
Operating lease	42	(8,041,324)	(8,108,931)
Bad debts written off	43	(229,885,128)	(243,757,993)
Bulk purchases	44	(853,257,171)	(746,300,391)
Contracted services	45	(684,299,792)	(660,306,673)
Transfers and subsidies	46	(16,658,146)	(11,875,522)
Loss on disposal of property, plant and equipment		(1,395,104)	(204,405)
Inventories losses/write-off		(112,410)	-
Operational costs	47	(234,818,017)	(233,886,042)
Total expenditure		(3,781,425,862)	(3,530,006,881)
Total revenue		3,593,498,829	3,326,991,246
Total expenditure		(3,781,425,862)	(3,530,006,881)
Operating deficit		(187,927,033)	(203,015,635)
Deficit for the year		(187,927,033)	(203,015,635)

* See Note 49

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5,610,752,117	5,610,752,117
Prior year adjustments	6,048,233	6,048,233
Balance at 01 July 2018 as restated*	5,616,800,350	5,616,800,350
Changes in net assets		
Restated deficit for the year	(203,015,635)	(203,015,635)
Total changes	(203,015,635)	(203,015,635)
Opening balance as previously reported	5,413,784,718	5,413,784,718
Balance at 01 July 2019	5,413,784,718	5,413,784,718
Deficit for the year	(187,927,033)	(187,927,033)
Total changes	(187,927,033)	(187,927,033)
Balance at 30 June 2020	5,225,857,685	5,225,857,685

See note 49 for accounting error adjustments disclosure.

* See Note 49

City of Mbombela

(Registration number MP326)

Unaudited Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Property rates		649,860,556	606,606,826
Sale of goods and services		1,076,174,547	1,062,199,620
Government grants and subsidies		1,321,494,143	1,174,960,063
Finance income		6,542,282	7,910,366
Other income		123,484,043	128,372,057
		<u>3,177,555,571</u>	<u>2,980,048,932</u>
Payments			
Employee costs		(1,068,617,753)	(943,468,197)
Bulk purchases		(634,992,034)	(679,382,091)
Finance costs		(76,248,310)	(86,980,080)
Other payments		(885,855,792)	(662,449,226)
Grants and Subsidies		(16,658,146)	(44,401,034)
		<u>(2,682,372,035)</u>	<u>(2,416,680,628)</u>
Total receipts		3,177,555,571	2,980,048,932
Total payments		(2,682,372,035)	(2,416,680,628)
Net cash flows from operating activities	48	495,183,536	563,368,304
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(530,708,164)	(514,341,022)
Proceeds from sale of property, plant and equipment	12	(477,231)	267,666
Purchase of other intangible assets	13	(556,069)	(620,057)
Decrease / (increase) in financial assets		-	18,397,543
Decrease/(increase) in non - current portion of receivables		(8,175)	1,870,455
Net cash flows from investing activities		(531,749,639)	(494,425,415)
Cash flows from financing activities			
Repayment of borrowings		(13,127,501)	(33,966,110)
Finance lease payments		(2,983,548)	(3,182,754)
Net cash flows from financing activities		(16,111,049)	(37,148,864)
Net increase/(decrease) in cash and cash equivalents		(52,677,152)	31,794,025
Cash and cash equivalents at the beginning of the year		125,696,817	93,902,792
Cash and cash equivalents at the end of the year	10	73,019,665	125,696,817

* See Note 49

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 63
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods and rendering of services	11,221,650	-	11,221,650	12,258,405	1,036,755	
Service charges	1,384,976,956	-	1,384,976,956	1,303,946,246	(81,030,710)	
Rental of facilities and equipment	8,463,706	-	8,463,706	9,510,077	1,046,371	63.1
Agency services	-	192,000,000	192,000,000	40,108,580	(151,891,420)	63.2
Licences and permits	-	6,256,000	6,256,000	2,991,873	(3,264,127)	63.3
Other income	42,210,779	908,000	43,118,779	40,940,989	(2,177,790)	
Finance Income	33,673,562	10,000,000	43,673,562	50,308,123	6,634,561	63.4
Total revenue from exchange transactions	1,480,546,653	209,164,000	1,689,710,653	1,460,064,293	(229,646,360)	

Revenue from non-exchange transactions

Taxation revenue

Property rates	642,359,999	-	642,359,999	651,716,932	9,356,933	
Transfer revenue						
Government grants & subsidies	1,316,243,000	107,073,000	1,423,316,000	1,351,323,161	(71,992,839)	
Fines, penalties and forfeits	8,099,222	-	8,099,222	14,400,814	6,301,592	63.5

Total revenue from non-exchange transactions	1,966,702,221	107,073,000	2,073,775,221	2,017,440,907	(56,334,314)	
'Total revenue from exchange transactions'	1,480,546,653	209,164,000	1,689,710,653	1,460,064,293	(229,646,360)	
'Total revenue from non-exchange transactions'	1,966,702,221	107,073,000	2,073,775,221	2,017,440,907	(56,334,314)	
Total revenue	3,447,248,874	316,237,000	3,763,485,874	3,477,505,200	(285,980,674)	

Expenditure

Employee related costs	(1,010,482,794)	52,360	(1,010,430,434)	(1,010,610,519)	(180,085)	
Remuneration of councillors	(43,864,650)	(15,000,000)	(58,864,650)	(58,537,188)	327,462	
Inventory consumed	(47,690,452)	-	(47,690,452)	(52,216,800)	(4,526,348)	63.6
Depreciation and amortisation	(545,584,877)	35,117,049	(510,467,828)	(551,510,226)	(41,042,398)	
Finance costs	(45,677,147)	-	(45,677,147)	(80,084,037)	(34,406,890)	63.7
Operating lease	-	(7,520,830)	(7,520,830)	(8,041,324)	(520,494)	63.8
Bad debts written off	-	-	-	(229,885,128)	(229,885,128)	63.9
Debt impairment	(106,974,062)	7,950,996	(99,023,066)	-	99,023,066	63.10
Bulk purchases	(893,674,318)	113,242,848	(780,431,470)	(853,257,171)	(72,825,701)	63.11
Contracted services	(406,823,668)	(138,068,154)	(544,891,822)	(684,299,792)	(139,407,970)	63.12
Transfers and subsidies	(32,669,592)	24,323,554	(8,346,038)	(16,658,146)	(8,312,108)	63.13
Operating costs	(164,175,330)	(23,622,345)	(187,797,675)	(234,818,017)	(47,020,342)	63.14
Total expenditure	(3,297,616,890)	(3,524,522)	(3,301,141,412)	(3,779,918,348)	(478,776,936)	
Total revenue	3,447,248,874	316,237,000	3,763,485,874	3,477,505,200	(285,980,674)	
Total expenditure	(3,297,616,890)	(3,524,522)	(3,301,141,412)	(3,779,918,348)	(478,776,936)	
Operating deficit	149,631,984	312,712,478	462,344,462	(302,413,148)	(764,757,610)	

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 63
Figures in Rand						
Gain on disposal of assets	-	-	-	(1,395,104)	(1,395,104)	
Gain on impairment reversal	-	-	-	115,993,629	115,993,629	63.10
Inventories losses/write-downs	-	-	-	(112,410)	(112,410)	
	-	-	-	114,486,115	114,486,115	
	149,631,984	312,712,478	462,344,462	(302,413,148)	(764,757,610)	
	-	-	-	114,486,115	114,486,115	
Deficit before taxation	149,631,984	312,712,478	462,344,462	(187,927,033)	(650,271,495)	
Surplus before taxation	149,631,984	312,712,478	462,344,462	(187,927,033)	(650,271,495)	
Taxation	-	-	-	-	-	
	149,631,984	312,712,478	462,344,462	(187,927,033)	(650,271,495)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 63
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	19,452,852	-	19,452,852	35,060,021	15,607,169	63.15
Operating lease asset	-	-	-	18,896	18,896	
Other receivables from exchange transactions	-	-	-	31,262,615	31,262,615	
Trade receivables from non-exchange transactions	174,883,404	-	174,883,404	116,013,456	(58,869,948)	
VAT receivable	-	-	-	116,006,715	116,006,715	
Trade receivables from exchange transactions	421,464,814	93,500,000	514,964,814	323,743,429	(191,221,385)	
Deposits made	4,518,824	-	4,518,824	5,569,965	1,051,141	
Current portion of long-term receivables from non-exchange transactions	-	-	-	430,746	430,746	
Cash and cash equivalents	86,697,697	61,504,335	148,202,032	73,019,665	(75,182,367)	
	707,017,591	155,004,335	862,021,926	701,125,508	(160,896,418)	

Non-Current Assets

Investment property	332,430,880	-	332,430,880	328,136,959	(4,293,921)	
Property, plant and equipment	7,495,270,711	112,299,032	7,607,569,743	7,201,082,851	(406,486,892)	
Intangible assets	50,126,001	(30,117,849)	20,008,152	14,467,706	(5,540,446)	
Heritage assets	2,301,970	-	2,301,970	2,301,970	-	
Other financial assets	-	-	-	100	100	
Long-term receivables from non-exchange transactions	-	-	-	2,585,925	2,585,925	
	7,880,129,562	82,181,183	7,962,310,745	7,548,575,511	(413,735,234)	
Current assets	707,017,591	155,004,335	862,021,926	701,125,508	(160,896,418)	
Non-current Assets	7,880,129,562	82,181,183	7,962,310,745	7,548,575,511	(413,735,234)	
Total Assets	8,587,147,153	237,185,518	8,824,332,671	8,249,701,019	(574,631,652)	

Liabilities

Current Liabilities

Current portion of borrowings	29,971,361	-	29,971,361	57,408,514	27,437,153	63.16
Trade and other payables from exchange transactions	767,014,143	108,250,000	875,264,143	2,179,835,640	1,304,571,497	
Trade and other payables from non-exchange transactions	55,627,154	-	55,627,154	60,660,333	5,033,179	
Consumer deposits	38,248,504	-	38,248,504	42,874,702	4,626,198	
Current portion of post employment benefit liability	4,827,104	-	4,827,104	4,408,000	(419,104)	
Unspent conditional grants	66,318,420	-	66,318,420	72,083,882	5,765,462	
Current portion of provisions	23,833,500	-	23,833,500	14,932,875	(8,900,625)	
Other financial liabilities	4,014,850	-	4,014,850	4,363,967	349,117	
	989,855,036	108,250,000	1,098,105,036	2,436,567,913	1,338,462,877	

City of Mbombela

(Registration number MP326)

Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 63
Figures in Rand						
Non-Current Liabilities						
Non - current portion of borrowings	207,730,129	-	207,730,129	195,845,025	(11,885,104)	63.17
Operating lease liability	-	-	-	100,184	100,184	
Non - current portion of post employment benefit liability	-	163,018,439	163,018,439	150,942,999	(12,075,440)	
Non - current portion of provisions	321,086,756	659,057,551	980,144,307	240,387,216	(739,757,091)	
	528,816,885	822,075,990	1,350,892,875	587,275,424	(763,617,451)	
	989,855,036	108,250,000	1,098,105,036	2,436,567,913	1,338,462,877	
	528,816,885	822,075,990	1,350,892,875	587,275,424	(763,617,451)	
	-	-	-	-	-	
Total Liabilities	1,518,671,921	930,325,990	2,448,997,911	3,023,843,337	574,845,426	
Assets	8,587,147,153	237,185,518	8,824,332,671	8,249,701,019	(574,631,652)	
Liabilities	(1,518,671,921)	(930,325,990)	(2,448,997,911)	(3,023,843,337)	(574,845,426)	
Net Assets	7,068,475,232	(693,140,472)	6,375,334,760	5,225,857,682	(1,149,477,078)	
Net Assets						
Reserves						
Accumulated surplus	7,068,475,232	(693,140,472)	6,375,334,760	5,225,857,682	(1,149,477,078)	

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Original budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference note 63
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Property rates	610,242,000	-	610,242,000	649,860,556	39,618,556	63.18
Sale of goods and services	1,315,728,109	35,477,598	1,351,205,707	1,076,174,547	(275,031,160)	
Government grants and subsidies	1,316,243,000	(15,000,000)	1,301,243,000	1,321,494,143	20,251,143	
Finance income	32,306,317	9,183,567	41,489,884	6,542,282	(34,947,602)	
Other income	66,495,587	189,205,803	255,701,390	123,484,043	(132,217,347)	
	3,341,015,013	218,866,968	3,559,881,981	3,177,555,571	(382,326,410)	

Payments

Employee related costs, remuneration of councillors and suppliers	(2,630,453,302)	(216,468,703)	(2,846,922,005)	(2,589,465,576)	257,456,429	
Finance costs	(44,763,606)	3,654,174	(41,109,432)	(76,248,310)	(35,138,878)	
Transfers and subsidies paid	(30,203,201)	25,594,825	(4,608,376)	(16,658,146)	(12,049,770)	
	(2,705,420,109)	(187,219,704)	(2,892,639,813)	(2,682,372,032)	210,267,781	
Total receipts	3,341,015,013	218,866,968	3,559,881,981	3,177,555,571	(382,326,410)	
Total payments	(2,705,420,109)	(187,219,704)	(2,892,639,813)	(2,682,372,032)	210,267,781	
Net cash flows from operating activities	635,594,904	31,647,264	667,242,168	495,183,539	(172,058,629)	

Cash flows from investing activities

Purchase of property, plant and equipment	(614,125,800)	(993,688)	(615,119,488)	(530,708,166)	84,411,322	63.19
Proceeds from sale of property, plant and equipment	-	-	-	(477,231)	(477,231)	
Purchase of intangible assets	-	-	-	(556,069)	(556,069)	
Decrease in non - current receivables	-	-	-	(8,175)	(8,175)	
Net cash flows from investing activities	(614,125,800)	(993,688)	(615,119,488)	(531,749,641)	83,369,847	

Cash flows from financing activities

Repayment of borrowings	(29,971,361)	-	(29,971,361)	(13,127,501)	16,843,860	63.20
Finance lease payments	-	-	-	(2,983,548)	(2,983,548)	
Net cash flows from financing activities	(29,971,361)	-	(29,971,361)	(16,111,049)	13,860,312	
Net increase/(decrease) in cash and cash equivalents	(8,502,257)	30,653,576	22,151,319	(52,677,151)	(74,828,470)	
Cash and cash equivalents at the beginning of the year	95,199,954	30,850,760	126,050,714	126,696,816	646,102	
Cash and cash equivalents at the end of the year	86,697,697	61,504,336	148,202,033	74,019,665	(74,182,368)	

City of Mbombela

(Registration number MP326)

Unaudited Annual Financial Statements for the year ended 30 June 2020

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Special adjustment budget	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	642,359,999	-	642,359,999	-		642,359,999	651,716,932		9,356,933	101 %	101 %
Service charges	1,384,976,956	-	1,384,976,956	-		1,384,976,956	1,303,946,246		(81,030,710)	94 %	94 %
Investment revenue	46,033,842	-	46,033,842	-		46,033,842	50,308,123		4,274,281	109 %	109 %
Transfers recognised - operational	733,561,000	-	733,561,000	1,073,000		734,634,000	838,016,840		103,382,840	114 %	114 %
Other own revenue	57,635,077	209,164,000	266,799,077	-		266,799,077	236,204,367		(30,594,710)	89 %	410 %
Total revenue (excluding capital transfers and contributions)	2,864,566,874	209,164,000	3,073,730,874	1,073,000		3,074,803,874	3,080,192,508		5,388,634	100 %	108 %
Employee costs	(1,010,482,794)	52,360	(1,010,430,434)	-	-	(1,010,430,434)	(1,010,610,519)	(180,085)	(180,085)	100 %	100 %
Remuneration of councillors	(43,864,650)	1,000,000	(42,864,650)	(16,000,000)	-	(58,864,650)	(58,537,188)	327,462	327,462	99 %	133 %
Bad debts written off	-	-	-		-	-	(229,885,128)	(229,885,128)	(229,885,128)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(545,584,877)	35,117,049	(510,467,828)			(510,467,828)	(551,510,226)	(41,042,398)	(41,042,398)	108 %	101 %
Finance charges	(45,677,147)	-	(45,677,147)	-	-	(45,677,147)	(80,084,037)	(34,406,890)	(34,406,890)	175 %	175 %
Materials and bulk purchases	(893,674,318)	41,247,007	(852,427,311)	-	28,053,545	(824,373,766)	(853,257,171)	(28,883,405)	(28,883,405)	104 %	95 %
Transfers and grants	(32,669,592)	27,549,174	(5,120,418)	-	-	(5,120,418)	(16,658,146)	(11,537,728)	(11,537,728)	325 %	51 %
Operational costs	(677,973,060)	(49,118,301)	(727,091,361)	(10,000,000)	(109,115,808)	(846,207,169)	(980,883,447)	(134,676,278)	(134,676,278)	116 %	145 %
Total expenditure	(3,249,926,438)	55,847,289	(3,194,079,149)	(26,000,000)	(81,062,263)	(3,301,141,412)	(3,781,425,862)	(480,284,450)	(480,284,450)	115 %	116 %
Total revenue (excluding capital transfers and contributions)	2,864,566,874	209,164,000	3,073,730,874	1,073,000	-	3,074,803,874	3,080,192,508	-	5,388,634	100 %	108 %
Total expenditure	(3,249,926,438)	55,847,289	(3,194,079,149)	(26,000,000)	(81,062,263)	(3,301,141,412)	(3,781,425,862)	-	(480,284,450)	115 %	116 %
Surplus/(Deficit)	(385,359,564)	265,011,289	(120,348,275)	(24,927,000)		(226,337,538)	(701,233,354)		(474,895,816)	310 %	182 %

City of Mbombela

(Registration number MP326)

Unaudited Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	582,682,000	86,800,000	669,482,000	19,200,000		688,682,000	513,306,321		(175,375,679)	75 %	88 %
Surplus/(Deficit)	(385,359,564)	265,011,289	(120,348,275)	(24,927,000)	-	(226,337,538)	(701,233,354)	-	(474,895,816)	310 %	182 %
Capital transfers and contributions	582,682,000	86,800,000	669,482,000	19,200,000	-	688,682,000	513,306,321	-	(175,375,679)	75 %	88 %
Surplus (Deficit) after capital transfers and contributions	197,322,436	351,811,289	549,133,725	(5,727,000)		462,344,462	(187,927,033)		(650,271,495)	(41)%	(95)%
Surplus (Deficit) after capital transfers and contributions	197,322,436	351,811,289	549,133,725	(5,727,000)	-	462,344,462	(187,927,033)	-	(650,271,495)	(41)%	(95)%
Surplus/(Deficit) for the year	197,322,436	351,811,289	549,133,725	(5,727,000)		462,344,462	(187,927,033)		(650,271,495)	(41)%	(95)%
Capital expenditure and funds sources											
Total capital expenditure	580,682,001	86,800,003	667,482,004	-		667,482,004	531,264,236		(136,217,768)	80 %	91 %
Sources of capital funds											
Internally generated funds	101,680,000	(4,618,820)	97,061,180	-		97,061,180	-		(97,061,180)	- %	- %

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	635,594,904	31,647,263	667,242,167	-		667,242,167	495,183,536		(172,058,631)	74 %	78 %
Net cash from (used) investing	(614,125,800)	(993,688)	(615,119,488)	-		(615,119,488)	(531,749,639)		83,369,849	86 %	87 %
Net cash from (used) financing	(29,971,361)	-	(29,971,361)	-		(29,971,361)	(16,111,049)		13,860,312	54 %	54 %
Net increase/(decrease) in cash and cash equivalents	(8,502,257)	30,653,575	22,151,318	-		22,151,318	(52,677,152)		(74,828,470)	(238)%	620 %
Cash and cash equivalents at the beginning of the year	95,199,955	30,850,760	126,050,715	-		126,050,715	125,696,817		(353,898)	100 %	132 %
Net increase / (decrease) in cash and cash equivalents	(8,502,257)	30,653,575	22,151,318	-	-	22,151,318	(52,677,152)	-	74,828,470	(238)%	620 %
Cash and cash equivalents at the beginning of the year	95,199,955	30,850,760	126,050,715	-	-	126,050,715	125,696,817	-	353,898	100 %	132 %
Cash and cash equivalents at year end	86,697,698	61,504,335	148,202,033	-		148,202,033	73,019,665		75,182,368	49 %	84 %

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Unaudited Annual Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been applied in the preparation of these annual financial statements, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosures
GRAP 21	Impairment of non-cash generating Assets
GRAP 23	Revenue from non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash generating Assets
GRAP 31	Intangible Assets
GRAP 32	Service Concession Arrangements: Grantor
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfer of Functions Between Entities Under Common Control
GRAP 106	Transfer of Functions Between Entities Not Under Common Control
GRAP 107	Mergers
GRAP 108	Statutory Receivables
GRAP 109	Accounting by Principals and Agents

List of effective Interpretations of the Standards of GRAP

IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 5	Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
IGRAP 6	Loyalty Programmes
IGRAP 7	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 8	Agreements for the Construction of Assets from Exchange Transactions
IGRAP 9	Distributions of Non-cash Assets to Owners
IGRAP 10	Assets Received from Customers
IGRAP 11	Consolidations – Special Purpose Entities
IGRAP 12	Jointly Controlled Entities – Non-monetary Contributions by Ventures
IGRAP 13	Operating Leases – Incentives
IGRAP 14	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
IGRAP 15	Revenue – Barter Transactions Involving Advertising Services
IGRAP 16	Intangible Assets – Website Costs
IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset
IGRAP 18	Recognition and Derecognition of Land
IGRAP 19	Liabilities to Pay Levies

The following approved guideline on the Standards of GRAP was applied in disclosing information

Guide 1	Guideline on Accounting for Public Private Partnership
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New Standards, Amendments and Interpretations to GRAP Standards Approved but not yet Effective:

The following GRAP Standards have been approved by the accounting Standards Board and effective dates have been determined by the minister as indicated below except where effective date has not been determined. The standards have not been early adopted nor an accounting policy developed by the municipality. The impact on the application of the new Standards could not be reasonably estimable as at the reporting date and it is not anticipated that these Standards will have a significant impact on the municipality.

GRAP 18	Segment Reporting (Effective date: 1 April 2020)
GRAP 34	Separate Financial Statements
GRAP 35	Consolidated Financial Statements
GRAP 36	Investments in Associates and Joint Ventures
GRAP 37	Joint Arrangements
GRAP 38	Disclosure of Interests in Other Entities
GRAP 110	Living and Non-living Resources

1.1 Presentation currency

These unaudited annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These unaudited annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

City of Mbombela

(Registration number MP326)

Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. If a change in accounting policy results from initial application of a standard of GRAP that has specific transitional provisions, the municipality account for the change in accordance with the specific transitional provisions of that accounting standard.

Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Charts of Accounts (mSCOA). The reclassifications have no impact on the net assets value of the municipality.

1.4 Property, plant and equipment

Initial recognition and measurement

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

- (a) they are parts of a system or network;
- (b) they are specialised in nature and do not have alternative uses;
- (c) they are immovable; and
- (d) they may be subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the Standard of GRAP on Borrowing Costs.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the Municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses in accordance with the cost model. Land is not depreciated as it is deemed to have an indefinite useful life.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at fair value as at the date of acquisition.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an item of Property, Plant and Equipment is capitalised when it meets the definition and recognition criteria of an asset.

Where the Municipality has an obligation to dismantle, remove and restore items of property, plant and equipment and the initial estimate was initially included in the cost of an item of property, plant and equipment, any changes in the liability are added to or deducted from, the cost of the related asset in the current period. If there is a decrease in the liability and it exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance.

If there is a change in a provision for which the asset relates, and the change results in addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is an indication, the related asset is tested for impairment by estimating its recoverable amount or recoverable service amount and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets or non-cash generating assets. If the related asset has reached the end of its useful life, any subsequent changes in the liability will be recognised in the statement of financial performance.

Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation charge for each period shall be recognised in the statement of financial performance unless it is included in the carrying amount of another asset. The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land and building	
• Land	Indefinite
• Buildings	30-40
• Landfill sites	10-85
Finance lease assets	
• Office equipment	3-15
• Other assets	3-10

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Accounting Policies

1.4 Property, plant and equipment (continued)

Roads, pavements and stormwater

• Roads, pavement, bridges, and storm water	3-80
• Electrical	3-50
• Water	5-50
• Sanitation	5-50
• Information and communications	3-10
• Solid waste	10-50

Community

• Sport and Recreational facilities	25-40
• Parks	Indefinite
• Halls	25-40
• Libraries	25-40

Service Concession asset - Grantor

• Specialised vehicles	5-15
• Other vehicles	5-15
• Office equipment	3-15
• Furniture and fittings	5-15
• Bins and containers	5-10
• Specialised plant and equipment	5-20
• Other items of plant and equipment	5-10.
• Emergency equipment	5-10
• Computer equipment	3-10

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Accounting Policies

1.4 Property, plant and equipment (continued)

Further detail on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revise the expected useful life and/or residual value accordingly.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

- (a) there is a commitment by a third party to acquire the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
- (c) residual value can be determined by reference to that market; and
- (d) it is probable that such a market will exist at the end of the asset's useful life

The change(s) are accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- (b) The use of the asset has changed, because of the following:
 - The municipality has changed the manner in which the asset is used.
 - The municipality has changed the utilisation rate of the asset.
 - The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
 - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
 - Legal or similar limits placed on the use of the asset have changed.
 - The asset was idle or retired from use during the reporting period.
- (c) The asset is approaching the end of its previously expected useful life.
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Derecognition

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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Accounting Policies

1.5 Intangible assets

Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance is not recognised as intangible assets

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation

The municipality assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to the municipality.

The useful life of an intangible asset that arises from binding arrangements (including rights from contracts) shall not exceed the period of the binding arrangement, but may be shorter depending on the period over which the entity expects to use the asset. If the binding arrangements (including rights from contracts) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the municipality without significant cost.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The amortisation rates are based on the following estimated average asset lives.

Item	Useful life
Servitudes	Not depreciated
Licenses and franchises	1 - 3 years
Computer software	5 - 20 years

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Accounting Policies

1.5 Intangible assets (continued)

Further detail on the useful lives of the categories of assets can be obtained from the assets management policy, available for inspection at our offices.

Each item of intangible asset is amortised separately. Rights consist mainly of servitude's. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude will remain in force as the Municipality exercises its rights under such servitude's.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date that the asset is derecognised. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

(a) there is a commitment by a third party to acquire the asset at the end of its useful life; or

(b) there is an active market for the asset and:

- residual value can be determined by reference to that market; and
- it is probable that such a market will exist at the end of the asset's useful life

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

An intangible asset with an indefinite useful life shall not be amortised. The useful life of an intangible asset that is not being amortised shall be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial position.

1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Initial recognition and measurement

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

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Accounting Policies

1.6 Investment property (continued)

Subsequent measurement

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is subsequently measured using the cost model. Under the cost, Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Transfers to, or from, investment property is made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property

Depreciation

Depreciation is calculated on the depreciable amount, using the straightline method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

Item	Useful life
Property - land	indefinite
Property - buildings	15 - 30 years

Further detail on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

Derecognition

An investment property is derecognised on disposal including disposal through non-exchange transactions or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

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Accounting Policies

1.7 Heritage assets

Initial recognition and measurement

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

The Municipality holds an asset that might be regarded as a heritage asset but on initial recognition, it does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about the asset shall be disclosed in the notes to the financial statements.

The municipality uses judgment to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

The cost of the heritage asset is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the standard of GRAP on borrowing costs.

Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life is capitalised as part of its cost. Such costs is recognised in the carrying amount of the heritage asset as incurred, when the recognition criteria is met.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. Heritage assets are not depreciated due to its nature however the municipality assess at each reporting date whether there are indications of impairment and, if any, impairment exists, the municipality estimates the recoverable amount or recoverable service amount of the heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

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Accounting Policies

1.8 Inventories

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process.
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services.
- (c) held for sale or distribution in the ordinary course of operations.
- (d) in the process of production for sale or distribution

Initial recognition and measurement

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost of the inventories can be measured reliably.

Inventories that qualify for recognition as assets are initially recognised at cost. The cost of inventories comprises of all costs purchase cost of conversion and other costs incurred in bringing the inventories to its present location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

When inventories are acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge or to be consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method or the weighted average method.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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Accounting Policies

1.9 Financial instruments (continued)

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

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1.9 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. Financial assets are recognised through the application of trade date accounting.

Upon initial recognition the Municipality classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

The Municipality measures financial instruments that are designated at fair value on recognition at its fair value at the date of recognition. Financial Instruments designated at amortised cost and those designated at cost are initially measured, at the date of recognition, at its fair value plus transaction costs directly attributable to the acquisition or issue of the instrument.

The classification of financial assets depends on their nature and purpose, and is determined at the date of initial recognition.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

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Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Financial assets

Financial assets at fair value

These comprise of non-derivative financial assets with fixed or determinable payments. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method less any impairment and/or plus reversal of impairment.

Financial assets at amortised cost

These comprise of financial assets held for trading, derivative financial assets, non-derivative financial assets designated at fair value and investments in residual interest for which fair value can be measured reliably. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

Financial assets at cost

These comprise of investments in residual interest that does not have a quoted market price in an active market and the fair value cannot be measured reliably. Subsequent to initial recognition such investments are measured at its carrying amount less any impairment.

Impairment of financial assets

Financial assets other than those held at fair value are assessed for impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of events occurred after initial recognition of the asset, the expected value to be derived from the asset have been materially reduced. The Municipality recognise impairment losses or impairment reversals in the statement of financial performance during the financial year in which the loss or reversal occurred.

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

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Accounting Policies

1.9 Financial instruments (continued)

Accounts receivables

Receivables are initially recognised at its fair value. Bad debts are written off in the year in which they are identified as irrecoverable, subject to approval by appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the initial terms receivables. The amount of the provision is that difference between the asset's carrying amount and its present value of estimated future cash flows, discounted at the initial effective interest rate. An estimate of doubtful debts is made at the end of each reporting period taking in to consideration past default experiences. Interest is charged on overdue amounts.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Financial liabilities

After initial recognition, the Municipality measures all financial liabilities, including payables at amortised cost using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities and payables and exclude provisions. Finance charges, including premiums payable, are accounted for on an accrual basis.

Gains and losses

The municipality recognise gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Derecognition

Financial assets

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

Financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

1.10 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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1.10 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Subsequent changes in the measurement of provisions relating to rehabilitation of landfill sites as a result of change in estimated cash flows required to settle the obligation will result in increased carrying amounts of the landfill sites to which the provision relates. The adjusted depreciable amount of the landfill sites will be depreciated over the remaining useful life of the landfill site. Once the landfill site has reached the end of its useful life, all subsequent changes in the value of the liability will be recognised in the statement of financial performance.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.22 and 1.23.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease classification is made at the inception of the lease.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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1.11 Leases (continued)

Finance leases - lessee

The Municipality recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in the statement of financial position. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments as determined at inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if it is practicable to determine however if not, the incremental borrowing rate shall be used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance expenses and the capital repayment using the effective interest rate method. Lease finance expenses are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases - lessor

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred by the Municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as the lease revenue.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

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1.12 Revenue from exchange transactions (continued)

Service charges

Service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

Meters are read on a monthly basis and the revenue is recognised when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on average consumption history.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised in the statement of financial performance using the effective interest rate method.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised by the Municipality is in terms of the agency agreement and is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.13 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions between one or more parties where the Municipality received revenue from another Municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and satisfy the recognition criteria.

An inflow of resources from non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably.

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised.

An asset acquired through a non-exchange transaction is initially measured at fair value as at the date of acquisition.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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1.13 Revenue from non-exchange transactions (continued)

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Taxes

Taxes are economic benefits or service potential compulsory paid or payable to the Municipality, in accordance with the laws and or regulations, established to provide revenue to the Municipality. Taxes do not include fines or other penalties imposed for breaches of the law.

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income. The rebates granted are deducted from revenue.

Property rates revenue is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Transfers

Transfers are inflows of future economic benefits or service potential from non-exchange transactions other than taxes.

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Fines

Fines are economic benefits or service potential received or receivable to the Municipality from an individual or another Municipality, as determined by a court or other law enforcement body, as a consequence of the individual or another Municipality breaching the requirements of laws and regulations. Control of the traffic fine is demonstrated through the existence of an enforceable claim.

Fines constitute notices of intended prosecution- section 341 spot fines and written notices (summonses- section 56 of the Criminal Procedures Act, 51 of 1977).

Initial recognition and measurement

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition of an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

Subsequent measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on the collection trends of the previous financial years.

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1.13 Revenue from non-exchange transactions (continued)

Government grants and donations

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Concessionary loans

Concessionary loans are loans received by entities at below market terms. The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction and is accounted for in accordance with this Standard.

The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest. The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.14 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

The municipality recognise all borrowing costs as an expense in the period in which they are incurred.

1.15 Employee benefits

Employee benefits are all forms of consideration given by a Municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an Municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

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1.15 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an Municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Municipality recognise the expected cost of bonus, incentive and performance related payments when the Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

Post-employment benefits

The Municipality provides post employment benefits for its employees and councillors. These benefits are provided as either defined contribution plans or defined benefit plans.

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a Municipality provides post-employment benefits for one or more employees.

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Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Municipality provide post employment medical care benefits to retired employees and their legitimate spouses. The entitlement to post employment medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Pursuant to the Municipality's obligation to fund the post-employment benefits provided through a defined benefit plan, the Municipality recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the Municipality recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the Municipality recognises as defined benefit asset.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

Actuarial gains and losses comprise experience adjustments (the effect of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in the actuarial assumptions. Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the Municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Where the Municipality reduces benefits payable under an existing defined benefit plan, the resulting reduction in the defined benefit liability is recognised as (negative) past service cost in the reporting period in which the plan is amended.

Where the Municipality reduces certain benefits payable under an existing defined benefit plan and, at the same time, increases other benefits payable under the plan for the same employees, the Municipality treats the change as a single net change.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The Municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The Municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

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1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

1.16 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is a Municipality that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any. Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is a Municipality that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another Municipality either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The Municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, a Municipality considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.17 Unauthorised expenditure

Unauthorised expenditure means overspending of a vote, expenditure that has not been budgeted for and expenditure not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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1.17 Unauthorised expenditure (continued)

Unauthorised expenditure has been incurred during the reporting period.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure has been incurred during the reporting period.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure has been incurred during the period period.

1.20 Value Added Tax (VAT)

The municipality accounts for value added tax on the payment basis.

1.21 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same Municipality and period as for the approved budget. The budget is prepared on the accrual basis. The budget of the Municipality is taken for a stakeholder consultative process and upon approval, the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

The approved budget relates to the fiscal period of 01 July 2019 to 30 June 2020.

1.22 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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Accounting Policies

1.22 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

Reversal of impairment loss

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.23 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

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1.23 Impairment of non-cash-generating assets (continued)

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

- The current profitability of the asset, as well as management's assessment of the profitability of the asset becoming profitable.

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1.23 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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1.23 Impairment of non-cash-generating assets (continued)

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit to the statement of financial performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

The Municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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1.24 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its unaudited annual financial statements.

1.25 Grant in aid

The Municipality transfers funds to individuals, organisations, societies and other sectors of government from time to time in accordance with the local government prescripts.

When the transfers are made, the Municipality does not:

- receive any goods or services directly in return, as would be expected in an acquisition or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

The transfers are recognised in the Statement of Financial Performance as expenses in the period that the event giving rise to the transfer occurred.

1.26 Changes in accounting policy, accounting estimates and correction of error

Changes in accounting policies are applied retrospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3, except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the change in accounting policy. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3. The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements

Correction of errors is applied retrospectively in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3, except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the error. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date.

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The Municipality does not adjust the amounts recognised in the unaudited annual financial statements to reflect non-adjusting events after the reporting date. If the Municipality receives information after the reporting date but before the financial statements are authorised for issue, about conditions that existed at the reporting date, the disclosure that relate to those conditions shall be updated in light of the new information.

1.28 Capital commitments

Capital commitments disclosed in the notes to the unaudited annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the reporting period.

The municipality discloses commitments inclusive of VAT per the commitments register.

1.29 Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts and/ recoverable service amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used)
- Present value of defined benefit obligation
- Impairment allowance/ Debt impairment
- Impairment of cash-generating and non cash-generating assets
- Provision for long service awards

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the Municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of cash-generating and non cash-generating assets
- Provisions

1.30 Mergers

Identifying the combined Municipality and combining entities

For each merger a combined municipality and combining entities is identified. All relevant facts and circumstances are considered in identifying the combined municipality and combining municipality.

The binding arrangement usually sets out which entities are to be combined as a result of the merger, and identifies the new reporting municipality after the merger.

Determining the merger date

The combined municipality and the combining entities identify the merger date, which is the date on which the new reporting municipality obtains control of the assets and liabilities and the combining entities loses control of their assets and liabilities.

All relevant facts and circumstances are considered in identifying the merger date.

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Accounting Policies

1.30 Mergers (continued)

Assets acquired [transferred] and liabilities assumed [derecognised]

The recognition of assets and liabilities by the entity as combined entity are subject to the following conditions:

The assets and liabilities that qualify for recognition in a merger are part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

Other criteria for the Municipality (as the combined Municipality)

The assets and liabilities that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the merger date.

Costs that the entity expects but which the municipality is not obliged to incur in the future to effect its plan to exit an activity of the combining entities or to terminate the employment of, or relocate the combining entities' employees, is not be accounted for as part of the liabilities at the merger date. The entity does not recognise those costs as part of a merger. Instead, the municipality recognises these costs in its unaudited annual financial statements after the merger has occurred, in accordance with the applicable Standards of GRAP.

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Accounting Policies

1.30 Mergers (continued)

Accounting by the Municipality as the combined Municipality

Initial recognition and measurement

As of the merger date, the municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the merger, a combining municipality was not applying the accrual basis of accounting, that combining municipality changes its basis of accounting to the accrual basis of accounting prior to the merger.

The difference between the carrying amounts of the assets acquired and the liabilities assumed is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, the municipality reports in its unaudited annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the merger date.

The municipality considers all relevant factors in determining whether information obtained after the merger date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the merger date. Relevant factors include the date when additional information is obtained and whether the municipality can identify a reason for a change to provisional amounts.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the merger had been completed at the merger date. Thus, the municipality revises comparative information for prior periods presented in unaudited annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a merger only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure incurred in relation to the merger

Expenditures incurred in relation to the merger are costs that the entity incurs to effect the merger. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, costs to furnish information to owners of the combining entities, and salaries and other expenses related to services of employees involved in achieving the merger. It also includes costs or losses incurred in combining the assets and liabilities of the combining entities. The municipality accounts for such expenditure as expenses in the period in which the costs are incurred.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a merger in accordance with the applicable Standards of GRAP.

At the merger date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, the operating or accounting policies and other relevant conditions as these exist at the merger date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the merger date):

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1.30 Mergers (continued)

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

The unaudited annual financial statements of the municipality are prepared using uniform accounting policies for similar transactions and other events or similar circumstances.

1.31 Transfer of functions between entities not under common control

Identifying the acquirer and acquiree

For each transfer of functions between entities not under common control one of the combining entities is identified as the acquirer. Determining the acquirer include a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transactions or event significantly exceed those of other entities. The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which Municipality to the transaction or event is the combining Municipality and which Municipality is the acquirer. Determining the acquirer includes a consideration of, amongst other things, which of the combining entities involved initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer identifies the acquisition date which is the date on which it obtains control of the acquiree. The date on which the acquirer obtains control of the functions is the date on which the acquirer transfers the consideration, acquires the assets and assumes the liabilities of the acquiree as identified to in the binding arrangement.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

As of the acquisition date, the acquirer recognise, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Recognition of identifiable assets acquired and liabilities assumed is subject to the following conditions:

The identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

The identifiable assets acquired and liabilities assumed must be part of what the acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

The acquirer's application of the recognition principle and conditions may result in recognising some assets and liabilities that the acquiree had not previously recognised as assets and liabilities in its financial statements.

Operating leases

The acquirer shall recognise no assets or liabilities related to an operating lease in which the acquiree is the lessee

The acquirer shall determine whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The acquirer shall recognise an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

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1.31 Transfer of functions between entities not under common control (continued)

Intangible assets

The acquirer shall separately recognise the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion .

An intangible asset that meets the contractual-legal right criterion is identifiable even if the asset is not transferable or separable from the acquiree or from other rights and obligations.

An intangible asset that is not individually separable from the acquiree meets the separability criterion if it is separable in the transfer of functions with a related contract, identifiable asset or liability.

At the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The acquirer shall make those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Exceptions to the recognition or measurement principles

Contingent liabilities - Exception to recognition principles

The acquirer shall recognise as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

The acquirer recognises a contingent liability assumed in a transfer of functions at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Paragraph .86 provides guidance on the subsequent accounting for contingent liabilities.

Employee benefits - Exception to recognition and measurement principles

The acquirer shall recognise and measure a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The acquirer shall recognise the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit.

Consideration transferred

The consideration transferred in a transfer of functions shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the residual interests issued by the acquirer.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed two years from the acquisition date.

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1.31 Transfer of functions between entities not under common control (continued)

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognised in a transfer of functions at the higher of:

(a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

(b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Indemnification assets

At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The acquirer shall derecognise the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Reacquired rights

A reacquired right recognised as an intangible asset shall be amortised over the remaining contractual period of the contract in which the right was granted.

Subsequent measurement

The acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

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1.32 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
- the definition of an asset is met; and
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
- derecognises the receivable;
- recognises separately any rights and obligations created or retained in the transfer.

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Accounting Policies

1.32 Statutory receivables (continued)

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.33 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
- the operator constructs, develops, or acquires from a third party; or
- is an existing asset of the operator.
- is provided by the grantor (municipality) which:
- is an existing asset of the municipality; or
- is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

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Accounting Policies

1.34 Investments in controlled entities

Controlled entity is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the controlling entity). Controlling entity is an entity that has one or more controlled entities.

In the municipality's separate financial statements, investments in investments in controlled entities are carried at cost less any accumulated impairment. The municipality applies the same accounting for each category of investment.

The cost of an investment in controlled entity is the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the municipality plus any costs directly attributable to the purchase price of the controlled entity

1.35 Accumulated surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus in the statement of changes in net assets.

1.36 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
2. Inventories		
Consumable stores	26,787,826	17,536,668
Water in the reservoirs and reticulation system	122,955	232,193
Land held for sale	8,149,240	9,375,803
	35,060,021	27,144,664
Inventory pledged as security		
There were no inventories pledged as security during the reporting period.		
3. Operating lease asset (accrual)		
Current assets	18,896	90,708
Non-current liabilities	(100,184)	(233,676)
	(81,288)	(142,968)
4. Other receivables from exchange transactions		
Prepayments	-	1,642,064
R/D Cheques	-	1,907,611
Service concession assets	333,738	273,742
Merchandising, jobbing and contracts	30,928,877	29,959,696
	31,262,615	33,783,113
5. Statutory receivables		
Traffic fines	6,442,453	7,578,407
Property rates	109,571,003	107,714,628
	116,013,456	115,293,035
Gross balances		
Property rates	216,533,344	181,995,674
Traffic fines	76,390,990	62,796,761
	292,924,334	244,792,435
Less: Allowance for impairment		
Property rates	(106,962,341)	(74,281,046)
Traffic fines	(69,948,537)	(55,218,354)
	(176,910,878)	(129,499,400)
Net balance		
Property rates	109,571,003	107,714,628
Traffic fines	6,442,453	7,578,407
	116,013,456	115,293,035

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Figures in Rand	2020	2019
Property rates		
Current (0 -30 days)	37,158,486	32,141,046
31 - 60 days	17,216,152	16,781,571
61 - 90 days	15,048,401	14,396,722
91 - 120 days	13,670,471	13,046,381
121 - 365 days	43,061,759	42,660,704
> 365 days	90,377,807	62,969,250
	216,533,076	181,995,674
Reconciliation of allowance for impairment		
Balance at beginning of the year	129,499,400	203,575,480
Contribution and (reversal) of allowance	47,411,478	(74,076,080)
	176,910,878	129,499,400
6. Value Added Tax (VAT) receivable		
Value Added Tax (VAT)	116,006,715	115,199,953
7. Trade receivables from exchange transactions		
Gross balances		
Electricity	247,412,188	154,151,954
Water	52,175,921	40,090,989
Waste water	9,978,827	7,626,241
Refuse	42,177,357	34,602,577
Other	69,591,987	16,151,508
	421,336,280	252,623,269
Less: Allowance for impairment		
Electricity	(28,766,984)	(30,987,016)
Water	(29,706,509)	(19,687,985)
Waste water	(6,155,674)	(4,066,834)
Refuse	(29,265,878)	(21,108,973)
Other	(3,697,806)	(10,675,074)
	(97,592,851)	(86,525,882)
Net balance		
Electricity	218,645,204	123,164,938
Water	22,469,412	20,403,004
Waste water	3,823,153	3,559,407
Refuse	12,911,479	13,493,604
Other	65,894,181	5,476,434
	323,743,429	166,097,387
Electricity		
Current (0 -30 days)	97,319,023	48,964,767
31 - 60 days	16,670,614	12,055,627
61 - 90 days	19,392,044	8,631,410
91 - 120 days	16,102,351	6,584,145
121 - 365 days	38,888,329	19,888,629
> 365 days	59,039,827	4,217,309
	247,412,188	100,341,887

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
Water		
Current (0 -30 days)	13,548,967	13,673,010
31 - 60 days	6,705,813	5,722,733
61 - 90 days	6,504,004	3,411,808
91 - 120 days	5,295,310	3,788,320
121 - 365 days	13,027,914	11,089,411
> 365 days	7,093,913	2,405,707
	52,175,921	40,090,989
Waste water		
Current (0 -30 days)	1,513,988	1,527,107
31 - 60 days	1,021,407	1,264,400
61 - 90 days	1,282,328	724,971
91 - 120 days	970,463	819,571
121 - 365 days	2,379,249	2,326,902
> 365 days	2,811,393	963,290
	9,978,828	7,626,241
Refuse		
Current (0 -30 days)	9,487,384	8,268,620
31 - 60 days	5,776,073	4,765,298
61 - 90 days	5,153,037	4,277,623
91 - 120 days	4,840,455	3,961,767
121 - 365 days	11,229,388	9,865,695
> 365 days	5,691,020	3,463,574
	42,177,357	34,602,577
Other		
Current (0 -30 days)	2,711,914	3,579,123
31 - 60 days	1,952,202	1,818,693
61 - 90 days	1,878,945	1,731,548
91 - 120 days	3,158,430	1,760,440
121 - 365 days	11,362,607	5,158,866
> 365 days	48,527,890	2,102,748
	69,591,988	16,151,418

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Figures in Rand	2020	2019
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	90,113,402	78,568,528
31 - 60 days	23,188,416	17,686,522
61 - 90 days	25,151,230	14,051,070
91 - 120 days	23,678,840	13,640,729
121 - 365 days	36,461,851	31,490,394
> 365 days	29,700,858	10,106,533
	228,294,597	165,543,776
Industrial/ commercial		
Current (0 -30 days)	49,350,671	50,999,650
31 - 60 days	16,053,216	14,362,198
61 - 90 days	16,557,730	11,764,335
91 - 120 days	14,290,125	10,836,148
121 - 365 days	60,468,507	28,746,966
> 365 days	121,749,680	14,499,399
	278,469,929	131,208,696
National and provincial government		
Current (0 -30 days)	22,275,686	32,395,653
31 - 60 days	10,100,629	10,359,601
61 - 90 days	7,549,798	7,358,677
91 - 120 days	6,068,784	5,483,748
121 - 365 days	23,018,888	30,752,816
> 365 days	62,091,313	51,515,947
	131,105,098	137,866,442
Total		
Current (0 -30 days)	161,739,760	161,963,831
31 - 60 days	49,342,261	42,408,321
61 - 90 days	49,258,758	33,174,082
91 - 120 days	44,037,750	29,960,625
121 - 365 days	119,949,246	90,990,206
> 365 days	213,541,850	76,121,879
	637,869,625	434,618,944
Reconciliation of allowance for impairment		
Balance at beginning of the year	86,525,882	123,679,623
Contributions to allowance	11,066,970	-
Reversal of allowance	-	(37,153,741)
	97,592,852	86,525,882
8. Deposits made		
Other deposits	582,477	582,477
Deposits - Eskom	4,987,488	4,604,342
	5,569,965	5,186,819

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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9. Long-term receivables from non-exchange transactions

Current portion of non-current receivables	430,746	149,186
Non-current receivables	2,585,925	2,531,548
	3,016,671	2,680,734

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	87,085	87,085
Bank balances	72,932,580	125,609,732
Total cash	73,019,665	125,696,817

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

2020

2019

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Primary Bank Acc - ABSA Mbombela: Account Number: 40-90003-9447	78,006,875	83,919,761	2,000,000	48,104,389	102,624,928	7,407,252
Spiral Plan - Bank: ABSA Mbombela: Account Number: 90- 6703-3766	-	-	4,490	-	-	4,490
Saving Account - Bank: ABSA Mbombela: Account Number: 90- 6916-6741	-	-	968	-	-	968
Call Account (Water Deposits) - Bank: ABSA Mbombela: Account Number: 90-6983-8617	4,702	4,668	4,612	4,702	4,668	4,612
Call Account (Grant Funding) - Bank: ABSA Mbombela: Account Number: 90-6983-9003	-	-	92,721	-	-	92,721
Call Account (Service Contribution) - Bank: ABSA Mbombela: Account Number: 90- 7568-1173	306,151	301,800	292,346	639,418	631,169	621,715
Call Account (Taxi Disaster) - Bank: ABSA Mbombela: Account Number: 91-2727-3547	-	-	28,949	-	-	28,949
Call Account (Grants) - Bank: ABSA Mbombela - Account Number: 40-8341-7222	7,214	6,811	9,117	7,213	6,811	9,117
Primary Bank Acc - ABSA Mbombela: Account Number: 40- 5321-5785	200,000	200,000	200,000	(2,915,233)	(24,342)	675,522
Mbombela Mayoral Fund - Bank: ABSA Mbombela: Account Number: 40-788-9377	-	-	10,530	-	-	10,530
Call Account (Mbombela 2010 Host City) - Bank: ABSA Mbombela: Account Number: 40- 7502-7970	-	-	6,297	-	-	6,297
Call Account (Mbombela 2010 Fan Park Operator) -Bank: ABSA Mbombela: Account Number: 40-7611-2661	-	-	1,363	-	-	1,363
Cheque Account (White River Disaster Fund) - 40-5141-9472	-	-	31,899	-	-	31,899
Cheque Account (Mbombela Conditional Grants) - 40-7804-8048	-	-	10,055	-	-	10,055
Call Account (Lottery Distribution Trust Fund Mbombela) - 40-6856-1426	10,240	10,023	9,779	10,121	9,905	9,779
Cheque Account - Bank: ABSA, Prime Link Account: Account Number: 40-6653-7243	26,706,909	21,760,912	48,905,734	26,706,909	21,762,206	68,905,735
Bank: ABSA Mbombela - Account Number: 20-7400-3363	-	-	30,232,205	(5,560)	(5,561)	10,226,643
Petty cash	-	-	-	87,085	87,085	78,085
First National Bank - Barberton - Account number: 5160026441	372,672	552,283	149,237	370,530	552,283	5,796,071

City of Mbombela

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Notes to the Unaudited Annual Financial Statements

Figures in Rand					2020	2019
ABSA Bank - Mbombela Traffic Account - 10-7000-0209	-	-	-	91	37,665	(29,011)
First National Bank - Barberton - Account number: 62305845995	-	41	41	41	41	41
First National Bank - Barberton - Account number: 62305846612	-	113	114	114	114	114
First National Bank - Barberton - Account number: 62305846935	-	728	728	728	728	728
First National Bank - Barberton - Account number: 62305847222	-	24	24	24	24	24
First National Bank - Barberton - Account number: 62000772229	-	268	255	44	44	44
First National Bank - Barberton - Account number: 62000774704	-	117	111	(1,407)	(1,407)	(1,407)
ABSA Bank - Barbeton - 40-7085-2360	-	-	9,632	10,400	10,400	10,400
First National Bank - Barberton - Account Number: 6227140826	-	56	56	56	56	56
Total	105,614,763	106,757,605	82,001,263	73,019,665	125,696,817	93,902,792

City of Mbombela

(Registration number MP326)

Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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11. Investment property

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	355,215,226	(27,078,267)	328,136,959	355,215,226	(24,768,857)	330,446,369

Reconciliation of investment property - 2020

	Opening balance	Transfers received	Depreciation	Total
Investment property	330,446,369	-	(2,309,410)	328,136,959

Reconciliation of investment property - 2019

	Opening balance	Transfers received	Depreciation	Total
Investment property	332,430,880	127,494	(2,112,005)	330,446,369

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	1,414,591	2,701,002
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City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

12. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	630,978,085	-	630,978,085	631,419,320	-	631,419,320
Buildings	1,542,307,085	(741,346,599)	800,960,486	1,523,610,549	(670,490,597)	853,119,952
Equipment and machinery	47,456,215	(27,819,609)	19,636,606	46,933,345	(23,048,813)	23,884,532
Furniture and equipment	74,522,043	(47,189,084)	27,332,959	73,981,065	(42,279,052)	31,702,013
Transport assets	207,114,304	(189,895,245)	17,219,059	203,063,863	(165,628,912)	37,434,951
Computer equipment	54,048,679	(32,037,585)	22,011,094	50,217,710	(27,143,255)	23,074,455
Roads, pavements and stormwater	3,458,854,803	(1,973,320,765)	1,485,534,038	3,356,711,339	(1,737,203,403)	1,619,507,936
Service Concession asset - Grantor	1,769,869,119	(808,084,650)	961,784,469	-	-	-
Construction Work-in-progress	1,262,343,144	-	1,262,343,144	911,555,632	-	911,555,632
Waste management	46,595,398	(12,563,084)	34,032,314	55,205,780	(11,492,178)	43,713,602
Electricity	1,289,331,642	(771,078,756)	518,252,886	1,269,329,489	(717,803,696)	551,525,793
Waste water	728,668,269	(310,243,760)	418,424,509	1,154,272,071	(475,723,968)	678,548,103
Water	1,422,167,039	(493,924,627)	928,242,412	2,737,604,441	(1,000,104,095)	1,737,500,346
Library	98,791,110	(24,460,320)	74,330,790	98,791,111	(13,828,021)	84,963,090
Total	2,633,046,935	(5,431,964,084)	7,201,082,851	2,112,695,715	(4,884,745,990)	7,227,949,725

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Changes in accounting estimates	Depreciation	Impairment loss	Total
Land	631,419,320	-	(441,235)	-	-	-	-	-	630,978,085
Buildings	853,119,952	6,398,948	-	12,297,587	-	-	(70,408,522)	(447,479)	800,960,486
Equipment and machinery	23,884,532	538,732	(3,906)	-	-	-	(4,782,752)	-	19,636,606
Furniture and equipment	31,702,013	736,246	(71,880)	-	-	-	(5,033,420)	-	27,332,959
Transport assets	37,434,951	4,872,608	(285,253)	-	-	-	(24,803,247)	-	17,219,059
Computer equipment	23,074,455	4,103,000	(115,599)	-	-	-	(5,050,762)	-	22,011,094
Roads, pavements and stormwater	1,619,507,936	45,829,789	-	56,313,675	-	-	(236,117,362)	-	1,485,534,038
Service Concession asset - Grantor	-	2,539,374	-	1,015,988,497	-	-	(56,743,402)	-	961,784,469
Construction Work-in-progress	911,555,632	442,357,394	-	-	(91,569,882)	-	-	-	1,262,343,144
Waste management	43,713,602	-	-	-	-	(8,610,382)	(1,070,906)	-	34,032,314
Electricity	551,525,793	14,518,458	-	5,483,695	-	-	(53,275,060)	-	518,252,886
Waste water	678,548,103	-	-	499,980	(220,938,919)	-	(39,684,655)	-	418,424,509
Water	1,737,500,346	8,813,615	-	16,974,945	(795,049,577)	-	(39,996,917)	-	928,242,412
Library	84,963,090	-	-	-	-	-	(10,632,300)	-	74,330,790
	7,227,949,725	530,708,164	(917,873)	1,107,558,379	(1,107,558,378)	(8,610,382)	(547,599,305)	(447,479)	7,201,082,851

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

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Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Donations	Change in accounting estimates	Depreciation	Total
Land	637,667,026	-	-	-	(6,247,706)	-	-	-	631,419,320
Buildings	890,461,821	1,511,094	-	19,144,974	-	-	-	(57,997,937)	853,119,952
Equipment and machinery	26,679,581	1,960,623	-	-	-	-	-	(4,755,672)	23,884,532
Furniture and equipment	34,047,468	2,510,008	(7,879)	-	-	-	-	(4,847,584)	31,702,013
Transport assets	41,250,949	15,469,833	(269,257)	-	-	-	-	(19,016,574)	37,434,951
Computer equipment	26,264,854	1,165,717	(194,935)	-	-	-	-	(4,161,181)	23,074,455
Roads, pavements and stormwater	1,683,482,404	105,435,816	-	68,952,365	-	-	-	(238,362,649)	1,619,507,936
Construction Work-in-progress	681,572,630	355,327,696	-	-	(125,344,694)	-	-	-	911,555,632
Waste management	44,345,255	-	-	-	-	-	425,464	(1,057,117)	43,713,602
Electricity	597,258,130	5,786,730	-	3,099,389	-	-	-	(54,618,456)	551,525,793
Waste water	704,255,579	3,396,079	-	10,855,591	-	-	-	(39,959,146)	678,548,103
Water	1,766,964,069	21,777,426	-	23,292,375	-	-	-	(74,533,524)	1,737,500,346
Library	74,699,928	-	-	-	-	11,148,491	-	(885,329)	84,963,090
	7,208,949,694	514,341,022	(472,071)	125,344,694	(131,592,400)	11,148,491	425,464	(500,195,169)	7,227,949,725

Compensation received for losses on property, plant and equipment – included in operating profit.

Transport assets	100,943	165,678
Office equipment	62,000	131,807
	162,943	297,485

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Roads, Pavements, Bridges and Stormwater Infrastructure	634,687,750	452,479,252
Water Reservoirs and Reticulation Infrastructure	411,658,821	288,774,940
Electricity Infrastructure	43,458,591	27,313,381
Buildings	56,227,871	60,335,861
Waste Water Infrastructure	116,310,110	82,652,198
	1,262,343,143	911,555,632
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
The COVID-19 pandemic together with the national lockdown emanating from the declared National State of Disaster has significantly disrupted the implementation of all service delivery related projects.		
Roads, Pavements, Bridges and Stormwater Infrastructure	-	34,294,195
These projects were delayed due to the internal or institutional inefficiencies which has caused a gap between the appointment of consultants and contractors, inadequate community buy in on projects that does not create local employment opportunities and local empowerment in terms of subcontracting and reduction of grant funding those respective projects.		
Water Reservoirs and Reticulation Infrastructure	20,166,327	23,433,173
The projects were mainly delayed due to various factors including but not limited to commissioning of projects due to water rights application challenges, land disputes where the project must be implemented, delay on the electricity (power) connection, community unrests, environmental compliance assessments and the internal inefficiencies which has caused a gap between appointment of consultants and contractors.		
Electricity Infrastructure	-	5,666,407
The projects were mainly delayed due to inability to secure funding on time, internal deficiencies which has caused a gap between appointment of consultants and contractors.		
Building Infrastructure	2,903,071	-
These projects were delayed due to the internal or institutional inefficiencies which has caused a gap between the appointment of consultants and contractors inadequate community buy in on projects that does not create local employment opportunities and local empowerment in terms of subcontracting and reduction of grant funding those respective projects.		
Waste Water Infrastructure	871,985	6,063,608
The projects were mainly delayed due to various factors including but not limited to one appointment made by the Department of Co-Operative Governance and Traditional Affairs which was declared as irregular expenditure and the City has communicated with the Department requesting withdrawal of the project in order to follow the normal Supply Chain Management processes internally, community unrests, environmental compliance assessments and the internal inefficiencies which has caused a gap between appointment of consultants and contractors.		
	23,941,383	69,457,383

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Figures in Rand	2020	2019
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Water Project	1,010,743	1,010,743
The project was halted due to lack of water rights.		
	1,010,743	1,010,743

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	851,219,771	60,335,861	911,555,632
Additions/capital expenditure	434,167,797	8,189,598	442,357,395
Transferred to completed items	(79,272,295)	(12,297,587)	(91,569,882)
	1,206,115,273	56,227,872	1,262,343,145

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	624,172,293	57,400,339	681,572,632
Additions/capital expenditure	326,674,228	28,653,465	355,327,693
Transferred to completed items	(106,199,719)	(19,144,974)	(125,344,693)
	844,646,802	66,908,830	911,555,632

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	258,190,801	228,426,992
Inventory	52,216,801	12,768,240
	310,407,602	241,195,232

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

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2020

2019

Service concession arrangements

The former Mbombela Local Municipality signed a 30 year concession agreement in April 1999 with SembCorp Silulumanzi (Proprietary) Limited previously known as the Greater Nelspruit Utility Company (GNUC) for provision of water and sanitation services as well as servicing the growing expectations of the communities on behalf of the municipality. The concession agreement became effective from 1 November 1999 and is subjected to review every five years through the supplementary agreements. The concession areas boundaries are the municipal boundaries of the previous Nelspruit Transitional Council and any extension of services outside the developed areas are dealt with on a case by case basis.

Supplementary agreement number four (4) was concluded during 2014/2015 financial year and it became effective 1 November 2014 until 31 October 2019 in accordance with five year period review process.

The Concessionaire is obligated to ensure that the communities within the concession area have access to a 24 - hour water supply to all formal households and to use best efforts to improve the number of households in informal areas with 24 - hour water supply. It is also a requirement that the Concessionaire must provide portable water and effluent quality in compliance with the National Water Quality Standards

The concessionaire leases and operates water services delivery assets within the concession area at a rental of R 189 666.25 per month for the remainder of the term of the Concession agreement. The assets are controlled by the Municipality and are recorded in the assets register of the Municipality as Property, Plant and Equipment. The Concessionaire recognises the right to use those assets as intangible assets in accordance with IFRIC 12. The assets leased to and operated by the concessionaire have been separately disclosed as part of property, plant and equipment.

The concession agreements provides for the concessionaire to maintain, refurbish, rehabilitate and improve the assets within its operations and collection of water and sanitation revenue within the Concession area. The water and sanitation tariffs for the Concessionaire are approved by Council for implementation in terms of section 24 of the Municipal Finance Management Act No.56 of 2003. The concessionaire acts as a project manager for construction of new infrastructure within the concession area which is funded by the Municipality. The Concessionaire is obligated to ensure that the assets are adequately maintained each year.

The concession agreement may be terminated by either party with effect from any date after the natural end of the concession contract in the year 2029 or the date of termination of the concession agreement, whichever is earlier, provided that at least 24 months prior written notice has been given by the party intending to cancel the concession agreement to the other party.

All assets operated by the Concessionaire will be transferred back to the Municipality in a good condition on termination of the concession agreement.

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Figures in Rand

13. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and franchises	799,130	(777,805)	21,325	799,130	(777,805)	21,325
Computer software	18,075,653	(8,219,840)	9,855,813	17,519,584	(6,625,632)	10,893,952
Servitudes	4,590,568	-	4,590,568	4,590,568	-	4,590,568
Total	23,465,351	(8,997,645)	14,467,706	22,909,282	(7,403,437)	15,505,845

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Licenses and franchises	21,325	-	-	-	-	21,325
Computer software	10,893,952	556,069	-	-	(1,594,208)	9,855,813
Servitudes	4,590,568	-	-	-	-	4,590,568
	15,505,845	556,069	-	-	(1,594,208)	14,467,706

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Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Licenses and franchises	21,325	-	-	-	-	21,325
Computer software	11,514,108	620,057	-	-	(1,240,213)	10,893,952
Servitudes	4,590,568	-	-	-	-	4,590,568
	16,126,001	620,057	-	-	(1,240,213)	15,505,845

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Intangible assets were pledged as security for liabilities.

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14. Heritage assets

	2020			2019		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Historical monuments	485,639	-	485,639	485,639	-	485,639
Historical buildings	436,805	(235,147)	201,658	436,805	(235,147)	201,658
Stamp collections, military insignia, medals, coin	186,585	-	186,585	186,585	-	186,585
Recreational parks	1,428,088	-	1,428,088	1,428,088	-	1,428,088
Total	2,537,117	(235,147)	2,301,970	2,537,117	(235,147)	2,301,970

Reconciliation of heritage assets 2020

	Opening balance	Additions	Disposals	Transfers received	Impairment losses recognised	Total
Historical monuments	485,639	-	-	-	-	485,639
Historical buildings	201,658	-	-	-	-	201,658
Stamp collections, military insignia, medals, coin	186,585	-	-	-	-	186,585
Recreational parks	1,428,088	-	-	-	-	1,428,088
Total	2,301,970	-	-	-	-	2,301,970

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Reconciliation of heritage assets 2019

	Opening balance	Additions	Disposals	Transfers received	Impairment losses recognised	Total
Historical monuments	485,639	-	-	-	-	485,639
Historical buildings	201,658	-	-	-	-	201,658
Stamp collections, military insignia, medals, coin	186,585	-	-	-	-	186,585
Recreational parks	1,428,088	-	-	-	-	1,428,088
	2,301,970	-	-	-	-	2,301,970

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Heritage assets were pledged as security for liabilities.

City of Mbombela

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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15. Other financial assets

At amortised cost

Investments	100	100
	-	-
	-	-
	100	100

Non-current assets

At amortised cost	100	100
	100	100
	-	-
	100	100

The City holds 100% shares of the City of Mbombela Development Agency which is a wholly owned municipal entity. The objectives and functions of the agency (entity) is to drive and champion local economic development initiatives in order to achieve job creation and poverty alleviation as per the National Development Plan and also to promote investment attraction and SMME development.

16. Interest Bearing Borrowings

At amortised cost

Development Bank of South Africa R200 million	117,509,911	128,155,725
This loan bears interest at 12.62% and is payable bi-annually installments		
Development Bank of South Africa R138.6 million	135,740,628	133,797,889
This loan bears interest at 12.62% and is payable bi-annually installments		
Standard Bank - R25 million	-	4,424,426
This loan bears interest at 10.50% and is payable bi-annually installments		
Stock Loans@ 11.60%	3,000	3,000
This loan bears interest at 16.5 % and is repayable in bi-annual installments		
	253,253,539	266,381,040

Total interest bearing borrowings

253,253,539	266,381,040
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Non-current liabilities

At amortised cost	195,845,025	213,180,419
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Current liabilities

At amortised cost	57,408,514	53,200,621
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17. Finance lease obligation

Minimum lease payments due

- within one year	-	2,818,416
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The leased assets to which the finance lease obligation relates to, came to an end during the current financial reporting period.

City of Mbombela

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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18. Trade and other payables from exchange transactions

Trade payables and accruals	694,839,645	733,757,754
Payments made in advance	129,063,381	110,342,313
Salaries - Employee related costs	74,308	4,862,114
Retentions	76,526,268	86,392,043
Leave accrual	75,945,851	60,079,635
Bulk Water	179,216,945	140,010,420
Agency Fees Payable	459,616,893	324,646,672
Unallocated deposits	33,392,147	46,256,538
Bulk Electricity - Eskom	512,044,560	332,985,949
Bonus accrual	19,115,639	17,373,718
	2,179,835,637	1,856,707,156

19. Other payables from non - exchange transactions

Transfers payable	60,660,333	59,409,902
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20. Consumer deposits

Sewerage	9,735,234	8,768,560
Electricity	29,780,980	28,643,584
Water	3,167,481	2,731,358
Housing rental	191,007	138,689
	42,874,702	40,282,191

21. Post employment benefits

Post employment health care employee benefit

The municipality provides for employees and continuation members to subscribe to a South African Local Government Association accredited medical aid scheme. Upon retirement an employee has the option of continued membership to the medical aid scheme. The municipality provides a 60% subsidy of medical scheme contribution to eligible in service and continuation members upon retirement.

The amounts recognised in the statement of financial position are as follows:

Opening balance	169,634,005	149,109,070
Current service costs	9,071,454	8,037,915
Interest costs	16,017,542	14,170,196
Actuarial loss / (gain)	(35,327,251)	1,850,266
Actual post-retirement health care benefits payments	(4,044,751)	(3,533,442)
	155,350,999	169,634,005
Non-current liabilities	150,942,999	165,363,558
Current liabilities	4,408,000	4,270,448
	155,350,999	169,634,006

The post employment benefit plan is wholly unfunded.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
Net expense recognised in the statement of financial performance		
Current service costs	9,071,454	8,037,915
Interest costs	16,017,542	14,170,196
Actuarial loss / (gain)	(35,327,251)	1,850,266
Actual post-retirement health care benefits payments	(4,044,751)	(3,533,442)
	(14,283,006)	20,524,935

Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2020 were as follows:

Discount rate	10.78 %	9.56 %
Consumer inflation	5.29 %	5.49 %
Medical inflation	6.79 %	6.99 %
Maximum subsidy inflation rate	4.72 %	4.87 %
Expected retirement age (years)	62	62

Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term. The expected inflation assumption of 5.29% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.74%) and those of fixed interest bonds (10.78%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+10.78\%-0.50\%)/(1+4.74\%))-1$.

A 1% change effect as included on the actuarial valuation reports.

	Decrease	Decrease
Health cost inflation effect on the current service cost	7,679,800	6,962,400
Health cost inflation effect on the defined benefit liability	97,645,000	106,805,000
Discount rate effect on the current service cost	11,209,400	9,918,500
Discount rate effect on the health care benefit liability	133,697,000	149,873,000
Health cost inflation effect on the current interest cost	14,193,000	12,802,800
Discount rate effect on the current service interest cost	16,969,600	14,974,800
	Increase	Increase
Health cost inflation effect on the current service cost	10,176,500	8,818,300
Health cost inflation effect on the defined benefit liability	124,152,000	136,911,000
Discount rate effect on the current service cost	7,441,400	6,594,500
Discount rate effect on the health care benefit liability	94,911,000	102,965,000
Health cost inflation effect on the current interest cost	17,493,100	15,172,800
Discount rate effect on the current interest cost	15,147,300	13,425,700

The amounts disclosed above represent a wholly unfunded defined benefit obligation.

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Public Transport Network Grant (PTNG)	71,752,576	101,861,275
Municipal Systems Improvement Grant (MSIG)	-	22,020
Finance Management Grant (FMG)	35,794	279
Donations Taxi Disaster Grant	29,327	29,327
Energy Efficiency Demand Side Management Grant (EEDSM)	263,215	-
Expanded Public Works Programme (EPWP)	2,970	-
	72,083,882	101,912,901

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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23. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Change in discount factor	Total
Landfill site environmental rehabilitation	175,050,855	967,236	-	176,018,091
Long service awards	77,309,376	1,992,624	-	79,302,000
	252,360,231	2,959,860	-	255,320,091

Reconciliation of provisions - 2019

	Opening Balance	Additions	Change in discount factor	Total
Landfill site environmental rehabilitation	157,505,175	14,345,857	3,199,823	175,050,855
Long service awards	68,755,788	8,553,588	-	77,309,376
	226,260,963	22,899,445	3,199,823	252,360,231

Non-current liabilities	240,387,216	239,337,367
Current liabilities	14,932,875	13,022,864
	255,320,091	252,360,231

Environmental rehabilitation

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal in accordance with the National Environmental Management Act 107 of 1998 and the Environment Conservation Act No 73 of 1989. The landfill sites are rehabilitated at the end of each useful life. It is calculated as the present value of the expenditure expected to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental expert.

Financial Assumptions used for the provision of landfill site

The financial assumptions used for the provision of landfill site rehabilitation at 30 June were as follows:

Adjustments of unit costs	2.41 %	4.64 %
Consumer Price Index (CPI)	2.41 %	4.64 %

Discount rate

Tekwane West and Barberton landfill sites	7.41 %	7.64 %
Mbombela and Mbonisweni landfill sites	5.91 %	7.14 %
Hazyview landfill site	5.91 %	7.14 %

Net effective discount rate (inflation linked bond rates) above Consumer Price Index (CPI)

Tekwane West and Barberton landfill sites	5.00 %	3.00 %
Mbombela and Mbonisweni landfill sites	3.50 %	2.50 %
Hazyview landfill site	3.50 %	2.50 %

Long service awards

In accordance with the bargaining collective agreement on conditions of service for the Mpumalanga division and municipal policy, the municipality makes provision for long service awards where employees have uninterrupted service of at least five (5) years.

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Figures in Rand	2020	2019
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The amounts recognised in the statement of financial position are as follows:

Opening balance	77,309,376	68,755,788
Current service costs	7,202,892	6,023,591
Interest costs	5,926,163	5,239,086
Actuarial (gain) / loss	(2,585,187)	7,044,684
Expenditure incurred	(8,551,244)	(9,753,773)
	79,302,000	77,309,376

Net expense recognised in the statement of financial performance

Current service cost	7,202,892	6,023,591
Interest cost	5,926,163	5,239,086
Actuarial (gains) losses	(2,585,187)	7,044,684
Expenditure incurred	(8,551,244)	(9,753,773)
	1,992,624	8,553,588

Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2019 were as follows:

Discount rate	7.07 %	8.16 %
Consumer inflation	2.78 %	4.56 %
Salary inflation	3.78 %	5.56 %

Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term. The expected inflation assumption of 2.78% was obtained from the differential between market yields on index-linked bonds (3.69%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.07%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+7.07\%-0.50\%)/(1+3.69\%))-1$.

A 1% change effect as included on the actuarial valuation report.

	Decrease	Decrease
Discount rate effect on the current service cost	7,739,100	6,474,200
Discount rate effect on the unfunded accrued liability	84,146,000	82,753,000
Discount rate effect on the interest cost	5,588,900	4,936,400
	Increase	Increase
Discount rate effect on the current service cost	6,732,500	5,628,100
Discount rate effect on the unfunded accrued liability	74,963,000	72,488,000
Discount rate effect on the interest cost	6,211,800	5,495,900

24. Other financial liabilities

Jobbing and contracts	4,363,967	3,853,005
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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
25. Sale of goods and rendering of services		
Advertisements	4,727,037	4,400,561
Amendments fees	3,583,780	4,048,695
Application Fees for Land Usage	2,523,837	2,608,470
Burial fees	1,039,800	880,592
Entrance fees	160,134	171,748
Fire services	65,636	148,998
Membership fees - library	-	115
Photocopies & faxes	158,181	161,314
	12,258,405	12,420,493
26. Service charges		
Sale of electricity	1,048,364,433	995,105,522
Sale of water	102,897,572	103,692,358
Solid waste	130,203,228	121,200,571
Sewerage and sanitation charges	22,481,013	21,829,633
	1,303,946,246	1,241,828,084
27. Rental of facilities and equipment		
Facilities and Equipment	9,510,077	11,676,380
28. Agency services		
Department of Community Safety, Security and Liaison		
Agency services	40,108,580	42,316,544
Revenue received on behalf of the Department	215,001,294	217,786,075
Less: Licence card fees	(2,944,373)	(3,264,393)
Less: VAT on agency fees	(6,016,287)	(6,347,482)
Less: Accruals and payments to the Departments	(165,932,054)	(165,857,656)
	40,108,580	42,316,544
29. Licences and permits		
Trading	47,500	1,000
Drivers' licence application fees	2,944,373	3,259,826
	2,991,873	3,260,826

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Figures in Rand	2020	2019
30. Other income		
Collection fees	5,689,533	5,672,467
Bad debts recovered	19,883,879	27,589,308
Municipal information and statistics	1,249,007	1,428,251
Insurance refund	3,029	316,800
Administration and management fees received	4,535,061	3,848,075
Commissions received	4,355,393	3,327,595
Revenue recognised from service contributions	3,462,094	8,423,478
Skills Development Levy Refund	1,667,765	-
Staff recoveries - Busaries	31,584	3,888
Accident report	63,644	116,498
	40,940,989	50,726,360
31. Finance income		
Interest revenue		
Cash and cash equivalents	6,542,282	7,910,366
Receivables from exchange transactions	43,765,841	27,028,465
	50,308,123	34,938,831
	-	-
	50,308,123	34,938,831
32. Gain or (loss) on impairment		
Gain (loss) on impairment-receivables	115,993,629	50,838,131

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Figures in Rand	2020	2019
33. Property rates		
Rates revenue		
Residential	273,236,935	360,682,812
Commercial	295,594,451	388,046,988
State	116,910,187	125,101,296
Agriculture	19,804,706	26,614,857
Other	2,414,092	3,608,605
Less: Income forgone	(56,243,439)	(272,794,868)
	651,716,932	631,259,690
Valuations		
Residential	10,003,903,896	9,558,742,751
Commercial	9,837,712,138	9,265,247,900
State	5,482,862,400	4,804,874,650
Municipal	26,399,000	1,440,394,770
Agriculture	1,622,346,400	1,553,420,600
Other	571,882,206	949,709,100
	7,545,106,040	7,572,389,771

Valuations on land and buildings are performed every four years. The latest general valuation compiled in accordance with the Municipal Property Rates Act, 2004 came into effect on 1 July 2018. Supplementary valuations are processed on a regular basis as in terms of section 78 of the Municipal Property Rates Act.

A general rate of 0.00692 cent in a Rand (2019 : 0.009812) was applied to property valuations to determine property rates. Various rebates are granted to residential, business, agricultural and other properties and/or categories of owners in terms of the approved Property Rates By-Law. Rates are levied on a monthly basis on property owners. Interest at 9.5% per annum (2019 : 11.25%) is levied on outstanding rates.

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Figures in Rand	2020	2019
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34. Government grants and subsidies

Operating grants

Equitable share	725,225,000	661,329,001
Financial Management Grant	2,464,685	3,469,700
Municipal Systems Improvement Grant	-	1,032,980
Expanded Public Works Programme	5,833,030	8,240,000
Disaster Relief Grant	1,073,000	-
Municipal Infrastructure Grant	-	24,980
Public Transport Network Grant	103,421,125	89,604,268
	838,016,840	763,700,929

Capital grants

Municipal Infrastructure Grant	333,753,000	336,954,963
Energy Efficiency Demand Side Management	7,736,785	-
Neighbourhood Development Partnership Grant	19,200,000	29,160,871
Integrated National Electrification Programme	27,010,000	26,995,652
Public Transport Network Grant	125,606,536	69,443,575
	513,306,321	462,555,061
	838,016,840	763,700,929
	513,306,321	462,555,061
	1,351,323,161	1,226,255,990

Equitable Share

Equitable share	725,225,000	661,329,001
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This grant is unconditional and is partially utilised for the indigent support through provision of free basic services.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	82,499,886
Current-year receipts	333,753,000	336,980,000
Conditions met - transferred to revenue - capital	(288,480,870)	(293,001,105)
Conditions met - transferred to revenue - operating	(1,739,130)	(24,980)
Conditions met - transferred to revenue - VAT	(43,533,000)	(43,953,913)
Transferred to equitable share	-	(41,249,974)
Transferred to payables	-	(41,249,914)
	-	-

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and service delivery related but for financial reporting purposes the asset identification and recognition criteria was not met

Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	-	1,128,856
Current-year receipts	27,010,000	31,045,000
Conditions met - transferred to revenue - capital	(23,486,956)	(26,995,653)
Conditions met - transferred to revenue - VAT	(3,523,044)	(4,049,348)
Transferred to equitable share	-	(1,128,855)
	-	-

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The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant.

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Figures in Rand	2020	2019
Public Transport Network Grant (PTNG)		
Balance unspent at beginning of year	101,861,275	63,677,142
Current-year receipts	198,919,000	203,454,000
Conditions met - transferred to revenue - capital	(125,606,536)	(69,443,575)
Conditions met - transferred to revenue - operating	(73,547,952)	(68,858,897)
Conditions met - transferred to revenue - VAT	(29,873,211)	(20,745,371)
Transferred to equitable share	-	(6,222,024)
	71,752,576	101,861,275

The grant was used for accelerated planning, construction and improvement of public and non-motorised transport infrastructure and services. The revenue recognised met the conditions of the grant. The unspent amount of the grant is committed to the completion of the Public Transport Infrastructure projects.

Neighbourhood Development Partnership Grant (NDPG)

Current-year receipts	19,200,000	33,535,000
Conditions met - transferred to revenue - capital	(16,695,652)	(29,160,870)
Conditions met - transferred to revenue - VAT	(2,504,348)	(4,374,130)
	-	-

The grant was used to plan and invest in targeted locations in order to attract and sustain third party capital investment aimed at spatial transformation in under served neighbourhoods, specifically in townships. The revenue recognised met the conditions of the grant.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	22,020	9,216
Current-year receipts	-	1,055,000
Conditions met - transferred to revenue	-	(1,032,980)
Transferred to equitable share	(22,020)	(9,216)
	-	22,020

The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome.

Finance Management Grant (FMG)

Balance unspent at beginning of year	279	-
Current-year receipts	2,500,000	3,470,000
Conditions met - transferred to revenue	(2,464,485)	(3,469,721)
	35,794	279

The grant was used to promote and support financial management reforms through financial management internship reforms and in-house capacity building programmes. The revenue recognised met the conditions of the grant.

Donations Taxi Disaster Grant

Balance unspent at beginning of year	29,327	28,949
Current-year receipts	-	378
	29,327	29,327

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Figures in Rand	2020	2019
Energy Efficiency Demand Side Management (EEDSM)		
Balance unspent at beginning of year	-	213,559
Current-year receipts	8,000,000	-
Conditions met - transferred to revenue - operating	(6,727,639)	-
Conditions met - transferred to revenue - VAT	(1,009,146)	-
Transferred to equitable share	-	(213,559)
	263,215	-

The grant was used to implement energy efficiency and demand side management initiatives in order to reduce electricity consumption and improve energy efficiency. The revenue recognised met the conditions of the grant.

Disaster Relief Grant

Balance unspent at beginning of year	-	86,833
Current-year receipts	1,073,000	-
Conditions met - transferred to revenue	(1,073,000)	-
Transferred to equitable share	-	(86,833)
	-	-

National Lottery Grant

Balance unspent at beginning of year	-	4,500,847
Transferred to payables	-	(4,500,847)
	-	-

Expanded Public Works Programme

Balance unspent at beginning of year	-	1,063,540
Current-year receipts	5,836,000	8,240,000
Conditions met - transferred to revenue	(5,833,030)	(8,240,000)
Other	-	(1,063,540)
	2,970	-

The grant was used to expand labour intensive delivery methods in waste management, road maintenance and other programmes in accordance with the grant framework.

35. Public contributions and donations

Donations	-	11,148,491
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36. Fines, Penalties and Forfeits

Building fines	92,446	6,339
Illegal connections fines	96,700	1,151,082
Overdue books fines	8,333	16,546
Municipal traffic fines	4,825,364	8,212,865
Unclaimed money forfeits	9,377,971	934,594
	14,400,814	10,321,426

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
37. Employee related costs		
Basic salary and wages	534,461,388	476,740,701
Bonus	43,955,279	40,360,698
Social Contributions - Medical	45,373,149	40,340,550
Social Contributions - Unemployment Insurance Fund	3,527,511	3,446,145
Tools allowance	591,473	326,130
Payment in lieu of leave	16,415,455	8,935,520
Overtime	131,244,978	121,212,453
Defined benefit obligation	25,088,996	22,208,111
Social Contributions:Pension	107,196,724	95,266,222
Uniform/Special/Protective Clothing	-	149
Acting and post related allowances	3,803,568	3,247,260
Car allowance	49,859,132	46,433,441
Housing benefits and allowances	5,878,849	4,080,304
Long service award	10,543,868	18,307,361
Standby Allowance	20,395,915	17,178,100
Cellular and telephone	5,401,080	4,736,629
Actuarial gain on defined benefit liability	(35,327,251)	1,850,266
Social Contributions - Group Life Insurance	6,342,314	5,562,485
Social Contributions - Bargaining Council	220,843	200,716
Remuneration of General Manager - Office of Council	1,637,410	1,683,921
Overtime - Shift additional remuneration	10,794,066	6,852,672
Employee costs - Remuneration of the Municipal Manager	2,061,136	2,432,501
Remuneration of Deputy Municipal Manager - Service Delivery	2,017,760	1,933,850
Remuneration of Deputy Municipal Manager - Institutional Development	1,836,497	1,809,282
Remuneration of General Manager - City Planning	1,637,410	1,664,726
Remuneration of General Manager - Community Services	1,714,101	1,528,372
Remuneration of General Manager - Corporate Services	1,696,690	1,756,794
Remuneration of General Manager - Energy	1,991,874	1,836,807
Remuneration of General Manager - Public Safety	1,654,283	868,238
Remuneration of General Manager - Public works, Roads and Transport	1,740,387	1,634,698
Remuneration of General Manager - Regional Centre Coordination	1,705,845	1,541,784
Remuneration of General Manager - Strategic Management Services	1,767,486	544,976
Remuneration of General Manager - Water and Sanitation	1,637,410	1,369,172
Remuneration of Chief Financial Officer	1,744,893	1,631,955
	1,010,610,519	939,522,989

City of Mbombela

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
Remuneration of Municipal Manager		
Annual remuneration	1,395,519	2,043,335
Contributions to UIF, medical and pension funds	196,899	1,890
Car allowance	246,000	300,000
Cellphone allowance	61,007	76,378
Payment in lieu of leave	161,711	10,898
	2,061,136	2,432,501

The position of the Municipal Manager was filled with effect from 01 October 2019, as per the resolution taken at a special council meeting held 26 September 2019 under item B(1).

Remuneration of Chief Financial Officer

Annual remuneration	1,099,317	1,214,095
Contributions to UIF, medical and pension funds	223,466	153,385
Car allowance	235,076	196,000
Cellphone allowance	40,665	30,777
Payment in lieu of leave	146,369	-
Acting & post related allowance	-	37,698
	1,744,893	1,631,955

The Chief Financial Officer was appointed with effect from 1 February 2020, as per the resolution taken at the special council meeting held 31 January 2020 under item B(1).

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
Remuneration of General Manager - Strategic Management Services		
Annual remuneration	1,354,962	451,654
Contributions to UIF, medical and pension funds	1,785	595
Cellphone allowance	40,663	12,727
Car allowance	240,000	80,000
Payment in lieu of leave	130,076	-
	1,767,486	544,976
Remuneration of Deputy Municipal Manager - Institutional Development		
Annual remuneration	1,366,070	1,429,103
Contributions to UIF, medical and pension funds	1,785	1,785
Car allowance	300,000	300,000
Cellphone allowance	127,512	38,181
Acting & post related allowance	41,130	40,213
	1,836,497	1,809,282
Remuneration of Deputy Municipal Manager - Service Delivery		
Annual remuneration	1,521,102	1,521,102
Contributions to UIF, medical and pension funds	1,785	1,785
Car allowance	353,290	353,290
Cellphone allowance	137,780	32,611
Acting & post related allowance	3,803	25,062
	2,017,760	1,933,850
Remuneration of General Manager - Corporate Services		
Annual remuneration	1,414,242	1,476,828
Contributions to UIF, medical and pension funds	1,785	1,785
Car allowance	240,000	240,000
Cellphone allowance	40,663	38,181
	1,696,690	1,756,794
Remuneration of General Manager - Regional Centre Coordination		
Annual remuneration	1,294,962	1,201,818
Contributions to UIF, medical and pension funds	1,785	1,785
Car allowance	300,000	300,000
Cellphone allowance	40,663	38,181
Payment in lieu of leave	68,435	-
	1,705,845	1,541,784

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
Remuneration of General Manager - Public Works, Roads and Transport		
Annual remuneration	1,354,962	1,336,948
Contributions to UIF, medical and pension funds	1,785	19,569
Car allowance	240,000	240,000
Cellphone allowance	40,663	38,181
Payment in lieu of leave	102,977	-
	1,740,387	1,634,698
Remuneration of General Manager - Energy		
Annual remuneration	1,682,391	1,333,877
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Car allowance	192,000	265,585
Cellphone allowance	40,663	26,115
Payment in lieu of leave	75,035	209,445
	1,991,874	1,836,807
Remuneration of General Manager - Water and Sanitation		
Annual remuneration	1,354,962	1,129,135
Contributions to UIF, medical and pension funds	1,785	1,487
Car allowance	240,000	200,000
Cellphone allowance	40,663	31,817
Payment in lieu of leave	-	6,733
	1,637,410	1,369,172
Remuneration of General Manager - Community Services		
Annual remuneration	1,294,962	1,170,622
Contributions to UIF, medical and pension funds	1,785	19,569
Car allowance	300,000	300,000
Cellphone allowance	40,663	38,181
Payment in lieu of leave	76,691	-
	1,714,101	1,528,372
Remuneration of General Manager - Public Safety		
Annual remuneration	1,248,513	592,393
Contributions to UIF, medical and pension funds	1,487	1,190
Cellphone allowance	33,886	22,272
Car allowance	250,000	175,000
Payment in lieu of leave	120,397	77,383
	1,654,283	868,238

City of Mbombela

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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Remuneration of General Manager - City Planning

Annual remuneration	1,450,962	1,397,355
Contributions to UIF, medical and pension funds	1,785	85,190
Car allowance	144,000	144,000
Cellphone allowance	40,663	38,181
	1,637,410	1,664,726

Remuneration of General Manager - Office of Council

Annual remuneration	1,294,962	1,354,962
Contributions to UIF, medical and pension funds	1,785	1,785
Car allowance	300,000	240,000
Cellphone allowance	40,663	38,181
Acting & post related allowance	-	48,994
	1,637,410	1,683,922

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Figures in Rand	2020	2019
38. Remuneration of councillors		
Executive Mayor	1,478,086	1,069,999
Mayoral Committee Members	10,064,363	7,909,787
Speaker	1,178,508	829,486
Councillors	40,851,245	26,341,757
Councillors pension contribution	3,893,074	2,556,456
Chief whip	1,071,912	758,645
	58,537,188	39,466,130

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2020

	Basic salary	Motor vehicle allowance	Medical	Pension	In kind benefits	Cellphone allowance	Data allowance	Total
Mr. SP Mathonsi	889,928	351,065	29,778	133,489	29,426	40,800	3,600	1,478,086
Mr. GS Siwela	753,346	283,527	40,734	56,501	-	40,800	3,600	1,178,508
Mr. ME Nsimbini	696,181	267,704	-	104,427	-	-	3,600	1,071,912
Mr. A Kumba	745,334	267,078	-	56,187	-	40,800	3,600	1,112,999
Ms. PV Mashego	724,563	267,078	22,329	54,629	-	40,800	3,600	1,112,999
Ms. BN Mdhuli	712,878	267,078	34,890	53,753	-	40,800	3,600	1,112,999
Ms. C Maseko	720,246	267,078	26,969	54,305	-	40,800	3,600	1,112,998
Ms NE Mkhabela	720,246	267,078	26,969	54,305	-	-	3,600	1,072,198
Mr. PP Nyalunga	717,675	267,078	29,733	54,112	-	40,800	3,600	1,112,998
Ms. MM Mlimi	745,334	267,078	-	56,187	-	40,800	3,600	1,112,999
Ms. LE Nyalunga	724,563	267,078	22,329	54,629	-	40,800	3,600	1,112,999
Mr. SP Nkosi	41,035	15,730	-	6,155	-	3,400	300	66,620
Ms. AS Mthunywa	696,476	267,078	-	105,045	-	40,800	3,600	1,112,999
Mr. KM Mkhonto	656,544	259,244	59,551	61,635	-	40,800	3,600	1,081,374
Mr. DD Ngwemyama	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. JJ Khoza	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Ms. TG Mabuza	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. EM Motobvu	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. SI Mokoena	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr TM Charles	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. JM Mazibane	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr LT Mlombo	398,829	144,620	-	56,590	-	40,800	3,600	644,439
Mr. DB Mkhathshwa	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Ms. MJ Hlophe	377,270	144,620	-	56,590	-	40,800	3,600	622,880
Mr. TN Bulunga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. MS Mashele	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. MC Mhlanga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. JB Mashaba	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. L Maseko	342,981	131,476	-	51,447	-	41,470	3,600	570,974
Ms. RF Mgwenya	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. ME Mhawule	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. BA Nyundu	319,999	131,476	26,429	48,000	-	40,800	3,600	570,304
Mr. SR Schormann	366,910	131,476	-	27,518	-	40,800	3,600	570,304

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Mr. EM Sebashe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. SR Masuku	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. EG Janse Van Rensburg	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. S Van Der Merwe	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. GCB Anthony	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Ms. NM Maganga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. BA Nyalunga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. A Thabethe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. TM Pila	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. RQ Seepsop	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. K Mdhuli	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. ST Mash	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. JJ Mkhabela	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. DDT Ngobe	340,326	131,476	-	51,447	-	40,800	3,600	567,649
Ms. EN Sibambo	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. MC Nkosi	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. NL Lukhele	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. MG Moyane	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Ms. ME Jacobs	321,136	131,476	46,182	24,085	-	40,800	3,600	567,279
Ms. MC Mhlanga	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. KA Oliver	377,528	131,476	-	-	-	40,800	3,600	553,404
Mr. MJ Mlomané	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. GM Nkambule	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. ML Sikonela	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. JV Mhlaba	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. HB Fakude	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. DJ Nkosi	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. DB Nkosi	360,296	111,564	-	54,044	-	40,800	3,600	570,304
Mr. AE Fankomo	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. TK Nyathi	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. SE Mbuyane	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. PP Mbowane	319,999	131,476	26,429	48,000	-	40,800	3,600	570,304
Ms. SE Makushe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. DE Shongwe	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. FS Nkosi	340,326	131,476	-	51,447	-	40,800	3,600	567,649
Mr. PCW Minnaar	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Ms. T Marshall	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. LM Bhembe	294,401	131,476	55,867	44,160	-	40,800	3,600	570,304

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Mr. HL Shongwe	342,981	131,476	-	51,447	-	-	3,600	529,504
Ms. NA Mokoena	310,513	131,476	37,338	46,577	-	40,800	3,600	570,304
Mr. PB Mhlanga	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr EK Manzini	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. LC Sibiya	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. L Ngwenyama	311,550	131,476	36,146	46,732	-	40,800	3,600	570,304
Mr. KG Ndlovu	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms SM Banda	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms Le Sibozza	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. BP Nkhoma	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Ms. TP Mhkatshwa	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. VL Mlilo	366,910	131,476	-	27,518	-	40,800	3,600	570,304
Mr. LB Nkosi	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. C Peyper	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr. VS Gwebu	340,326	131,476	-	51,447	-	40,800	3,600	567,649
Mr. WW Moth	342,981	131,476	-	51,447	-	40,800	3,600	570,304
Mr RC Matola	341,125	131,476	2,135	51,169	-	40,800	3,600	570,305
Mr. R Torr	327,887	110,643	-	23,158	-	36,448	3,216	501,352
Mr JJ Mhlanga	327,887	110,643	-	23,158	-	36,448	3,216	501,352
	36,070,138	13,643,010	523,808	4,446,708	29,426	3,504,166	319,932	58,537,188

2019

	Basic salary	Motor vehicle allowance	Medical	Pension	In kind benefits	Cellphone allowance	Data allowance	Total
Mr. SP Mathonsi	632,835	251,682	27,285	94,925	18,870	40,800	3,600	1,069,997
Mr. MJ Msibi	610,105	-	41,286	64,862	-	37,400	3,300	756,953
Mr. GS Siwela	45,045	17,232	3,272	3,284	-	3,400	300	72,533
Mr. ME Nsimbini	492,421	188,761	-	73,863	-	-	3,600	758,645
Mr. A Kumba	526,776	188,761	-	39,508	-	40,800	3,600	799,445
Mr. PV Mashego	507,322	188,761	20,913	38,049	-	40,800	3,600	799,445
Mr. BN Mdhluli	486,287	188,761	43,526	36,472	-	40,800	3,600	799,446
Ms. C Maseko	502,745	188,761	25,833	37,706	-	40,800	3,600	799,445
Ms. NE Mkhabela	502,745	188,761	25,833	37,706	-	-	3,600	758,645
Mr. PP Nyalunga	498,753	188,761	30,124	37,406	-	40,800	3,600	799,444
Ms. MM Mlimi	526,776	188,761	-	39,508	-	40,800	3,600	799,445
Ms. LE Nyalunga	507,322	188,761	20,913	38,049	-	40,800	3,600	799,445

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Mr. GS Siwela	449,622	173,031	35,750	33,722	-	37,400	3,300	732,825
Mr. PV Mkhathshwa	435,195	167,872	35,698	32,722	-	-	3,300	674,787
Mr. SP Nkosi	41,035	15,730	-	6,155	-	3,400	300	66,620
Ms. AS Mthunywa	51,282	19,658	-	6,155	-	3,400	300	80,795
Mr. KM Mkhonto	459,437	183,225	55,779	34,458	-	40,800	3,600	777,299
Mr. DD Ngwenyama	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Mr. JJ Khoza	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Ms. TG Mabuzza	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Mr. EM Motobvu	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Mr. SI Mokoena	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Mr. TM Charles	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Mr. JM Mazibane	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Mr. LT Mlombo	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Mr. BD Mkhathshwa	263,372	102,215	-	39,997	-	40,800	3,600	449,984
Ms. MJ Hlophe	266,648	102,215	-	39,997	-	40,800	3,600	453,260
Mr. TN Bulunga	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. MS Mashele	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. MC Mhlanga	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. JB Mashaba	207,402	79,648	-	31,541	-	40,800	3,600	362,991
Mr. L Maseko	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. RF Mgwenya	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. ME Mhawule	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. BA Nyundu	187,125	79,648	23,749	28,069	-	40,800	3,600	362,991
Mr. SR Schormann	221,065	79,648	-	17,878	-	40,800	3,600	362,991
Ms. Grove Morgan	164,650	73,010	40,976	13,406	-	37,400	3,600	333,042
Mr EM Sebashe	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. SR Masuku	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. EG Janse Van Rensburg	221,065	79,648	-	17,878	-	40,800	3,600	362,991
Ms. S Van Der Merwe	222,273	79,648	-	16,671	-	40,800	3,600	362,992
Mr. GCB Anthony	221,065	79,648	-	17,878	-	40,800	3,600	362,991
Ms. NM Maganga	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. BA Nyalunga	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. A Thabethe	205,224	79,648	-	31,167	-	40,800	3,600	360,439
Mr. TM Pila	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. RQ Seepsop	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. K Mdhluli	222,273	79,648	-	16,671	-	40,800	3,600	362,992
Mr. ST Mash	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. JJ Mkhabela	207,777	79,648	-	31,167	-	40,800	3,600	362,992

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Mr. DDT Ngobe	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. EN Sibambo	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. MC Nkosi	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. NL Lukhele	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. MG Moyana	222,273	79,648	-	16,671	-	40,800	3,600	362,992
Ms. ME Jacobs	166,516	79,648	58,947	13,481	-	40,800	3,600	362,992
Ms. MC Mhlanga	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. KA Oliver	238,943	79,648	-	-	-	40,800	3,600	362,991
Mr. MJ Mlomane	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. GM Nkambule	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. M Mbewe	33,298	12,764	-	4,995	-	6,800	600	58,457
Ms. ML Sikonela	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. VJ Mhlaba	222,273	79,648	-	16,671	-	40,800	3,600	362,992
Mr. HB Fakude	207,777	79,648	-	31,167	-	40,800	3,600	362,992
MR. DJ Nkosi	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. DB Nkosi	277,036	-	-	41,555	-	40,800	3,600	362,991
Mr. AE Fankomo	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. TK Nyathi	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. SE Mbuyane	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. PP Mbowane	186,708	79,648	24,229	28,006	-	40,800	3,600	362,991
Ms. SE Makushe	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. DE Shongwe	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. FS Nkosi	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. PCW Minnaar	222,273	79,648	-	16,671	-	40,800	3,600	362,992
Ms. T Marshall	222,273	79,648	-	16,671	-	40,800	3,600	362,992
Mr. LM Bhembe	158,686	79,648	53,519	24,186	-	40,800	3,600	360,439
Mr. HL Shongwe	207,777	79,648	-	31,167	-	-	3,600	322,192
Ms. AS Mthunywa	190,462	73,010	-	28,569	-	37,400	3,300	332,741
Ms. NA Mokoena	174,815	79,648	34,970	26,605	-	40,800	3,600	360,438
Mr. PB Mhlanga	221,065	79,648	-	17,878	-	40,800	3,600	362,991
Mr. EK Manzini	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. LC Sibiya	205,224	79,648	-	31,167	-	40,800	3,600	360,439
Ms. L Ngwenyama	177,667	79,648	34,626	26,650	-	40,800	3,600	362,991
Mr. KG Ndlovu	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. SM Banda	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. LE Siboza	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. WP Sibiya	190,462	73,010	-	28,569	-	37,400	3,300	332,741
Mr. LM Shongwe	33,298	12,764	-	4,995	-	6,800	600	58,457

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Mr. BP Nkhoma	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Ms. TP Mkhathswa	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. VL Mlilo	222,273	79,648	-	16,671	-	40,800	3,600	362,992
Mr. LB Nkosi	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. C Peyper	207,777	79,648	-	31,167	-	40,800	3,600	362,992
Mr. VS Gwebu	103,778	38,921	-	12,986	-	19,938	1,759	177,382
Mr. WW Motha	103,778	38,921	-	12,986	-	19,938	1,759	177,382
Mr. RC Matola	17,315	6,289	-	2,597	-	3,400	300	29,901
	23,504,768	8,656,998	637,228	2,849,772	18,870	3,477,276	321,218	39,466,130

Remuneration paid to all councillors are within the upper limits set by the Minister for Co-Operative Governance and Traditional Affairs as per his vested power set out in the Remuneration of Public Office Bearers Act no 20 of 1998.

In-kind benefits

The Executive Mayor, the Speaker and Members of the Mayoral Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor have the use of a Council leased vehicle for official duties. The Speaker uses the council procured vehicle for official purposes.

Council provided security at the private residences of the Executive Mayor and several other councillors through private security firms at the cost to Council based on the security risk assessment conducted.

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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39. Inventory consumed

Material and supplies	5,073,535	12,768,275
Consumables	47,143,265	37,574,970
	52,216,800	50,343,245

40. Depreciation and amortisation

Property, plant and equipment	547,606,609	502,216,312
Investment property	2,309,409	2,112,005
Intangible assets	1,594,208	1,240,913
	551,510,226	505,569,230

41. Finance costs

Borrowings	28,324,194	50,008,019
Trade and other payables	47,840,629	36,874,148
Finance leases	165,132	485,427
Bank	83,487	97,913
Other interest payable	3,670,595	3,199,823
	80,084,037	90,665,330

42. Operating lease

Operating lease	8,041,324	8,108,931
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The City is leasing various buildings for office accommodation purposes and a fleet vehicle for the official trips of the Executive Mayor. These lease contracts have options for renewal on the terms and conditions agreed by all parties. The escalation rates ranges between 8-10 per cent respectively for the office accommodation leases.

There is no contingent rent paid or payable on all the agreements.

43. Bad debts written off

Bad debts written off	229,885,128	243,757,993
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Council has approved the writing off, of irrecoverable debt for the 2019/2020 financial year at its meeting held 15 June 2020 under item A(3).

City of Mbombela

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
44. Bulk purchases		
Electricity - Eskom	799,439,583	708,306,998
Water	53,817,588	37,993,393
	853,257,171	746,300,391
Material losses incurred during the year under review were as follows:		
Electricity losses		
Electricity purchased (kWh)	725,385,407	747,490,811
Electricity sold (kWh)	(590,153,690)	(619,486,000)
Electricity losses (kWh)	135,231,717	128,004,811
Electricity losses (kWh)	135,231,717	128,004,811
Unit cost per kWh	1.33	0.95
Electricity losses in Rand value	179,858,184	121,604,570
Percentage Loss:	18.60 %	17.12 %
Water losses		
Water pumped and distributed (KL)	5,261,586	5,661,990
Water sold (KL)	(4,056,529)	(4,236,000)
Water distribution losses in KL	1,205,057	1,425,990
Water distribution losses in KL		
Water losses in KL	1,205,057	1,425,990
Average cost per KL	5.08	4.88
Water losses in Rand Value	6,121,690	6,955,440
Percentage Loss:	22.90 %	25.20 %

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Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
45. Contracted services		
Refuse removal	37,507,460	31,772,310
Cleaning services	3,678,662	2,537,232
Artists and performers	134,400	-
Burial services	5,056,917	4,206,475
Personal and labour	-	523,455
Meter management	12,727,423	11,830,461
Internal Auditors	9,703,675	7,516,412
Drivers licence cards	1,933,209	2,979,117
Mini dumping sites	27,010,594	29,066,408
Catering services	4,335,057	4,990,616
Contractors - Water and Sanitation Services	85,310,420	94,179,992
Human resources	6,690,672	8,706,648
Research and advisory	5,976,595	8,382,151
Project management	44,545,622	31,321,232
Business and Advisory - Organisational	6,113,387	4,397,796
Illegal dumping	18,750,857	20,157,794
Hygiene services	79,811	59,783
Engineering - Civil	54,709,255	70,606,835
Business and financial management	9,265,714	19,104,030
Accounting and auditing	8,335,118	11,263,299
Infrastructure and Planning - Town Planner	5,774,413	4,405,380
Laboratory services - Water	1,651,873	2,083,712
Legal Cost - Legal advice and litigation	25,458,006	10,734,291
Legal Cost - Collection	1,417,002	4,901
Legal Cost - Issue of Summons	365,452	1,504,291
Commissions and Committees	113,936	-
Medical examinations	242,039	155,109
Transport services	222,190	443,590
Electrical	17,233,782	4,757,869
Fire protection	66,050	1,251,994
Gardening services	32,401,934	17,700,477
Contractors - Maintenance of buildings and facilities	41,000,830	24,874,025
Contractors - Maintenance of unspecified assets	108,705,406	149,275,714
Contractors - Maintenance of equipment	15,115,334	15,666,958
Traffic and street lights	6,217,727	188,547
Gas	3,948	-
Transportation	75,554	30,870
Security Services	68,567,277	56,462,015
Alien Vegetation Control	316,194	252,853
Event promoters	2,786,768	3,680,298
Sports and Recreation	115,028	780,351
Bore waterhole drilling	79,230	172,964
Litter picking and street cleaning	544,243	931,154
Medical waste removal	32,537	5,407
Personnel and Labour	26,169	170,180
Audio- Visual Services	200,315	114,400
Stage and sound crew	599,529	1,057,277
Pest Control and Fumigation	13,098,178	-
Translators, Scribes and Editors	4,000	-
	684,299,792	660,306,673

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
46. Transfers and subsidies		
Non-profit institutions	3,746,309	2,950,000
Social Assistance: Grant In Aid	3,768,129	58,990
Poverty relief	168,637	354,390
Scholarship program	53,035	-
Bursaries	4,660,983	4,196,395
Free basic services - electricity	4,261,053	4,315,747
	16,658,146	11,875,522
	-	-
Other subsidies	16,658,146	11,875,522
47. Operational costs		
Advertising	2,700,742	4,186,134
Auditors remuneration	7,285,971	8,060,570
Bank charges	3,694,206	4,149,845
Materials and Supplies	982	1,056
Commission - Prepaid electricity	5,801,379	5,117,033
Entertainment	111,629	774,515
Insurance 3rd party payments and excess	14,701,128	14,744,242
Information Technology Services	14,296,954	14,498,702
Workmen's Compensation Fund	3,583,531	3,804,460
Learnerships and Internships	2,736,398	6,513,626
Travel and subsistence	4,951,631	6,432,935
Skills Development Fund Levy	7,439,759	8,136,685
Signage	567,291	1,011,018
Postage and courier	3,340,238	2,092,709
Storage of Files (Archiving)	-	71,197
Uniform and protective clothing	7,815,215	3,814,909
Printing - Publications and books	483,840	750,369
Contribution to provisions - Rehabilitation of Landfill Sites	5,907,023	13,920,393
Honoraria (Voluntarily Workers)	30,000	30,000
Professional bodies, membership and subscription	10,265,950	9,027,903
Telephone and fax	13,046,774	13,264,740
Transport provided as part of departmental activities	2,031,039	1,036,456
Travel agency fees	201,916	262,632
Title deed search fees	128,293	172,701
Municipal services	93,786,392	74,444,935
Licences - radio and television	25,382	65,834
Rewards Incentives	5,833,413	5,178,904
Registration fees	382,644	322,981
Vehicle tracking	1,701,840	3,419,057
Indigent relief	15,069,508	19,672,630
Remuneration to Ward Committees	4,973,000	4,957,000
Performers and arts	15,600	1,757,090
Licences	1,908,349	2,192,781
	234,818,017	233,886,042

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Figures in Rand	2020	2019
48. Cash generated from operations		
Deficit for the year	(187,927,033)	(203,015,635)
Adjustments for:		
Depreciation and amortisation	551,510,226	505,569,230
Loss on disposal of property, plant and equipment	1,395,104	204,405
Inventory write off	112,410	-
Public contributions and donations	-	(11,148,491)
Actuarial gains/losses	(115,993,629)	(50,838,131)
Finance costs - Finance leases	165,132	485,427
Bad debts written off	229,885,128	243,757,993
Movements in operating lease assets and accruals	(61,680)	(222,273)
Movements in retirement benefit assets and liabilities	(14,283,007)	20,524,935
Movements in provisions	11,570,242	25,673,803
Movement in long service award	-	-
Changes in working capital:		
Inventories	(7,915,357)	(1,924,257)
Other receivables from exchange transactions	2,520,498	1,692,855
Trade receivables from exchange transactions	(271,537,541)	(206,656,927)
Trade receivables from non-exchange transactions	(720,421)	(28,264,691)
Deposits made	(383,146)	(431,000)
Trade and other payables from exchange transactions	323,128,487	295,902,460
Value Added Tax	(806,762)	(27,888,332)
Other payables from non - exchange transactions	1,250,431	48,080,737
Unspent conditional grants and receipts	(29,829,019)	(51,295,927)
Consumer deposits	2,592,511	3,362,158
Other financial liabilities	510,962	(200,035)
	495,183,536	563,368,304

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Unaudited Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Annual Financial Statements

Figures in Rand	2020	2019
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49. Correction of Accounting error

Opening Balance as previously reported- Accumulated Surplus	- 5,610,752,127
Correction of error - Net effect on opening accumulated surplus	- 6,048,223
	- 5,616,800,350

The reported opening accumulated surplus has been adjusted with the following identified errors:

Adjustments affecting the statement of financial position:

Increase in cost to completed property, plant and equipment: building projects completed in previous financial years	- 6,221,456
Increase in accumulated depreciation to completed property, plant and equipment: building projects completed in previous financial years	- (867,696)
Increase in cost property, plant and equipment: computer equipment	- 8,069,825
Increase in accumulated depreciation - property, plant and equipment: computer equipment	- (1,930,470)
Additions to completed property, plant and equipment: roads infrastructure projects completed in previous financial years	- 62,972,948
Increase in accumulated depreciation on completed property, plant and equipment: roads infrastructure projects completed in previous financial years	- (2,123,618)
Increase in cost to completed property, plant and equipment: sanitation infrastructure projects completed in previous financial years	- 33,907,266
Increase in accumulated depreciation to completed property, plant and equipment: sanitation infrastructure projects completed in previous financial years	- (1,444,126)
Increase in cost to completed property, plant and equipment: water infrastructure projects completed in previous financial years	- 73,213,470
Increase in accumulated depreciation to completed property, plant and equipment: water infrastructure projects completed in previous financial years	- (38,706,811)
Increase in cost to property, plant and equipment - Library assets previously not recognised	- 65,865,374
Increase in accumulated depreciation to property, plant and equipment - Library assets previously not recognised	- (8,632,044)
Decreased in cost to property, plant and equipment: leased assets	- (8,069,824)
Decreased in accumulated depreciation to property, plant and equipment: leased assets	- 6,878,823
Decrease in construction work in progress projects that were completed in previous years but were only componentised in the current financial year	- (159,788,581)
Increase in depreciation to property, plant and equipment: buildings for the 2018/2019 financial year	- 427,952
Increase in depreciation to property, plant and equipment: road infrastructure for the 2018/2019 financial year	- 786,207
Increase in depreciation to property, plant and equipment: computer equipment for the 2018/2019 financial year	- 806,983
Decrease in depreciation to property, plant and equipment: leased assets for the 2018/2019 financial year	- (3,032,667)
	- 34,554,467

Nett Effect on Prior to prior year assets and liabilities:

Nett effect on Assets	- 34,554,467
Nett effect on Liabilities	- (28,506,244)
	- 6,048,223

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Figures in Rand	2020	2019
The reported net deficit for the previous year has been adjusted by the following identified accounting errors:	-	(199,583,167)
Increase in depreciation: buildings	-	(427,952)
Increase in depreciation: roads and stormwater	-	(786,207)
Increase in depreciation: computer equipment	-	(806,983)
Decrease in depreciation: leased assets	-	3,032,677
Finance income not accrued for during the 2018/2019 financial year	-	527,588
Increase in trade and other payables from exchange transactions - Invoices relating to the 2018/2019 financial year	-	(2,753,671)
Increase trade and other payables from exchange transactions - due to salaries and allowances back pay for employees	-	(2,573,547)
Nett effect of VAT on creditors not accrued for in the 2018/2019 financial year	-	355,627
Net effect of adjustments on the prior year		(203,015,635)

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Figures in Rand	2020	2019
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50. Comparative figures

Certain comparative figures have been reclassified due to Municipal Standard Chart of Accounts (mSCOA) and Generally Recognised Accounting Practice (GRAP) to ensure fair presentation and consistency.

Statement of financial position - extract

	Comparative figures previously reported	Reclassifi- cation	After reclassification
Statutory receivables	117,200,646	(1,907,611)	115,293,035
Other receivables from exchange transactions	31,875,502	1,907,611	33,783,113
Total	149,076,148	-	149,076,148

Statutory receivables- R/D cheque's were reclassified to other receivables from exchange Transactions.

Statement of financial performance - extract

	Comparative figures previously reported	Reclassifi- cation	After reclassification
Expenditure			
Contracted services	(627,515,358)	(32,525,512)	(660,040,870)
Transfers and subsidies paid	(44,373,351)	32,525,512	(11,847,839)
Total	(671,888,709)	-	(671,888,709)

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51. Change in accounting estimates

The provision for the rehabilitation of landfill sites was revised at year end and was recognised in the surplus or deficit for the reporting period.

The effect of the change in accounting estimate on the current year's depreciation was a decrease of R 16 956 for the Tekwane Landfill site, a decrease of R 45 647 for the Barbeton Landfill site and an increase of R 1 432 879 for the Hazyview Landfill site. The change in accounting estimate was added to the cost of the related asset in the current reporting period. The total overall effect of the future periods is a cumulative net decrease in the depreciation cost of R 425 464 over the remaining useful life of the related assets. The effect of the change in future periods will be an increase in the annual depreciation expense amounting to R 16 956 totalling to R 1 373 456 over the remaining useful life of the Tekwane Landfill site, a decrease in the annual depreciation expense amounting to R 45 647 totalling to R 1 004 235 over the remaining useful life of the Barbeton landfill site and an increase in the annual depreciation expense amounting to R 1 432 879 over the remaining useful life of the Hazyview landfill site. The overall impact on the finance costs will increase by R 118 990 in the following financial year.

52. Auditors' remuneration

Fees	7,285,971	8,060,570
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53. Commitments

Authorised capital expenditure

Already contracted for / Not yet contracted for

• Infrastructure - Water	85,373,501	248,682,972
• Infrastructure - Roads, Pavement and Stormwater	242,125,156	298,525,376
• Infrastructure - Electricity	149,734,071	81,094,553
• Infrastructure - Waste Water	96,798,133	116,860,087
• Buildings	595,080	14,833,179
• Community Facilities	26,602,648	7,688,581
• Infrastructure - Electricity - not yet contracted for	16,262,461	-
	617,491,050	767,684,748

The expenditure will be funded as follows:

• Government grants	596,189,110	742,274,420
• Internal funding	21,301,940	25,410,328
	617,491,050	767,684,748

Total capital commitments

Already contracted for / Not yet contracted for	617,491,050	767,684,748
Funded	(617,491,050)	(767,684,748)
	-	-

Authorised operational expenditure

Already contracted for

• Typical Work Stream - Electrification	21,202,665	38,004,668
• Typical Work Stream - Spatial Planning	1,190,636	1,729,550
• Typical Work Stream - Meter conversion and replacement	8,732,738	13,631,387
• Typical Work Stream - Intergrated Public Transport Network	1,470,120	38,386,678
• Typical Work Stream - Water Services	11,034,492	7,877,546
• Typical Work Stream - Financial Management	7,359,834	9,737,120
• Typical Work Stream - Waste Management	18,572,306	50,493,328
• Typical Work Stream - Waste water	-	1,318,447
• Typical Work Stream - Other	29,740,483	41,752,735
	99,303,274	202,931,459

Total operational commitments

Already contracted for	99,303,274	202,931,459
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Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1,391,103	1,708,185
- in second to fifth year inclusive	1,511,245	531,468
	2,902,348	2,239,653

Total future minimum sublease payment expected to be received under non-cancellable sublease.

Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five (5) years. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	148,463	2,561,475
- in second to fifth year inclusive	412,750	285,492
- later than five years	141,480	417,201
	702,693	3,264,168

Certain of the municipality's equipment and buildings is held to generate rental income. Rental of equipment and buildings is expected to generate rental yields on an ongoing basis. Lease agreements have terms from 3 to 6 years. There are no contingent rents receivable.

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54. Contingencies

Contingent liabilities

Damage claims

Spatialize Pty (Ltd) // City of Mbombela. A claim against Council was instituted through a high court summons, Case no. 1936/19 where the Plaintiff is claiming R 15 904 902.13 excluding interest and legal fees. The Plaintiff's claim is for services provided to the City, however the City is contesting the matter.	15,904,902	-
Finishing touch 544 (PTY) LTD vs Mbombela Local Municipality. A damages claim against council through high Court Combined Summons served with case 66425/12 for the UB 40 concert to the amount of R 1 557 166.00. Council is contesting the case through appointed legal representatives, Kruger & Partners. Council requested security of costs of which the plaintiff did not comply with the request.	1,557,166	1,557,166
Vhuyani Ncabane Trading // City Of Mbombela. . A claim against Council was instituted through a high court summons, Case no. 1646/18 where the Plaintiff is claiming R 1 125 239.01 excluding interest and legal fees. The plaintiff's claim is for general maintenance of council's buildings, however the City is contesting the matter.	1,900,000	-
S Mhaule vs Mbombela Local Municipality. A claim against council has been instituted through combined summons - Magistrate's Court with a case number 996/2013 to the amount of R 19 000.00 for "verbal agreement". The case is defended through appointed legal representatives - Nkosi Attorneys & associates.	19,000	19,000
Ensemble Trading 546 LTD / Mbombela Local Municipality (MLM) - A procurement dispute claim through High Court summons emanating from a forged cession of payment agreement which was not honoured by council. Council is contesting the claim based on external legal advice. Council was granted leave to appeal to defend and an undertaking not to proceed with the summary judgment was made by the applicant's legal representatives. The case is dormant.	2,540,043	2,540,043
Department of Water Affairs / Mbombela local Municipality - Unilaterally amended agreement for the provision of free raw water for a period of 6 years within the Nsikazi / Kanyamazane area.	11,510,110	11,510,110
An application was made to National Treasury for condonation of the unauthorised expenditure on conditional grants incurred during 2009/2010 and 2010/2011 financial years. The municipality is awaiting the pending outcome of the request after all supporting evidence was submitted in collaborating of the unauthorised expenditure which was outside the respective conditional grants framework. Municipal (Infrastructure Grant: R 163 400 959 and Public Transport Infrastructure Grant: R 41 177 177)	204,578,136	204,578,136
Mahlatse David Makhubedu // SALGBC and Mbombela Local Municipality. This matter involves the alleged constructive dismissal of the employee who then referred a dispute to the Labour Court. Msikinya Attorneys are the appointed legal representatives handling the matter on behalf of the city.	552,961	552,961
Tlou Consulting (Pty) Ltd was appointed under bid 38/2013 to update and maintain the immovable asset register for a period of three years ending 30 June 2017. A dispute has arisen due to non-performance on agreed deliverables as stipulated on the service level agreement. The matter is currently under mediation.	14,052,481	14,052,481
Total contingent liabilities	252,614,799	234,809,897

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55. Related parties

Remuneration of management is disclosed Note 37 to these unaudited annual financial statements.

Remuneration of councillors and other in-kind benefits is disclosed in Note 38 to these unaudited annual financial statements.

City of Mbombela Development Agency

The Umjindi Local Development Agency (UMLEDA) was incorporated on the 30th of October 2008. The former Umjindi Local Municipality held 100% shares of Umjindi Local Economic Development Agency (UMLEDA). City of Mbombela has at its meeting held 27 October 2016 under item A(11) resolved to approve the name change of the entity to City of Mbombela Economic Development Agency. The objectives and functions of the agency (entity) is to drive and champion local economic development initiatives in order to achieve job creation and poverty alleviation as per the National Development Plan and also to promote investment attraction and SMME development.

Mbombela Economic Development Agency

Mbombela Economic Development Agency (MEDA) was established by the Municipality as a service utility in terms of Section 86H of the Municipal Systems Act No 32 of 2000 through the passing of the by-law. The municipality has significant influence over the agency. The agency is a dormant section 21 company.

Mbombela Economic Development Partnership.

Council has at its meeting held 26 February 2015 under item A(4) resolved to approve the establishment of the Mbombela Economic Development Partnership. The Mbombela Economic Development Partnership was constituted as an independent not for profit company established in terms of the Companies Act, No 71 of 2008.

The overriding objective of Mbombela Economic Development Partnership is to meet the City's economic development strategic outcomes in partnership with the community in order to stimulate the economy by focusing on sector support thus creating an enabling environment that will attract investment, stimulate increased job creation, skills transfer, youth and small business development, resource resilience and liveable and safe community development.

The Mbombela Economic Development Partnership is responsible for the following core functions:

- Mobilisation and establishing partnerships for thematic programmes
- Communication, Promotion, Intelligence Distribution
- Coordination and facilitation of spatial, sector and/or project interventions
- Facilitate dialogue amongst key stakeholders

Municipal Housing Entity

Council has at its meeting held 29 March 2019 under item A(6) resolved for the establishment of Municipal Housing Entity. The Municipal Housing Entity will be responsible for creating and managing social housing and rental stock, and further managing community rental stock. The City of Mbombela will be the controlling entity for the Municipal Housing Entity.

Umsebe Accord

Umsebe Accord is a Non Profit company established to pursue public benefit objectives entrusted with the four municipalities namely, Municipio De Matola Municipality(Mozambique), Municipal Council of Mbabane(eSwatini), Nkomazi Local Municipality and the City of Mbombela Local Municipality. The objectives and functions of the company (entity) amongst others include promotion of local economic development initiatives and meeting the strategic objectives of the four cities as registered in the Memorandum of Incorporation. The Board of Directors constitutes representatives from all the four city's (municipalities) nominated to represent each municipality accordingly. Council has resolved at its meeting held 31 August 2018 under item A(4) to review and renew the Umsebe Accord Protocol for a five years period from 2018 to 2023.

Related party transactions

There were no grant or subsidy payments to the entities during reporting period.

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56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to the South African Local Government Association (SALGA)

Current year subscription / fee	10,104,828	8,820,030
Amount paid - current year	-	(8,820,030)
	10,104,828	-

Audit fees

Opening balance	7,045,635	644,497
Current year audit fees	8,378,866	8,060,570
Amount paid - current year	(2,719,709)	(1,014,935)
Amount paid - previous years	(6,917,168)	(644,497)
	5,787,624	7,045,635

PAYE, UIF and SDL

Opening balance	13,643,812	10,470,365
Current year subscription	199,232,292	174,200,874
Amount paid - current year	(183,852,272)	(160,557,062)
Amount paid - previous years	(13,643,812)	(10,470,365)
	15,380,020	13,643,812

The unpaid balance is the amount for June 2019 which was payable in July 2020.

Pension and Medical Aid Deductions

Opening balance	17,918,718	16,099,089
Current year subscription	235,269,646	209,776,040
Amount paid - current year	(215,117,197)	(191,857,322)
Amount paid - previous years	(17,918,718)	(16,099,089)
	20,152,449	17,918,718

The unpaid balance is the amount for June 2019 which was payable in July 2020.

VAT

VAT receivable	116,006,715	115,199,953
Opening balance	115,199,953	87,094,186
Total amount claimed from SARS during the year	96,108,823	86,499,256
Total amount received during the year	(75,945,766)	(70,394,512)
Adjustments	(122,802,010)	(78,567,555)
Net VAT on accruals	103,445,715	90,568,578
VAT receivable	116,006,715	115,199,953
VAT receivable (as per VAT 201)	12,561,000	24,631,375
Net VAT on accruals	103,445,715	90,568,578
VAT receivable	116,006,715	115,199,953

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Councillors' arrear consumer accounts

30 June 2020

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr A Kumba	222	1,531	1,753
Cllr SP Mathonsi	3,037	620	3,657
Cllr JJ Mkhabela	1,600	7,472	9,072
Cllr RC Matola	5,708	49,056	54,764
Cllr LM Bhembe	981	9,286	10,267
Cllr NA Mokoena	2,443	-	2,443
Cllr L Ngwenyama	514	2,489	3,003
Cllr KG Ndlovu	235	2,024	2,259
Cllr MJ Hlophe	1,993	1,702	3,695
Cllr NE Nsimbini	2,494	2,701	5,195
Cllr AS Mthunywa	2,700	40,349	43,049
Total councillors arrear consumer accounts	21,927	117,230	139,157

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr A Kumba	202	694	896
Cllr ME Nsimbini	464	625	1,089
Cllr LT Mlombo	1,246	-	1,246
Cllr KG Ndlovu	205	1,145	1,350
Cllr LM Bhembe	841	1,201	2,042
Cllr NA Mokoena	2,204	-	2,204
Cllr L Ngwenyama	478	1,972	2,450
Cllr MJ Hlophe	3,526	3,312	6,838
Total councillors arrear consumer accounts	9,166	8,949	18,115

Distribution losses in terms of MFMA 125(2)(d)(i)

Material losses are disclosed in note 44 of these unaudited annual financial statements

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57. Deviation from supply chain management regulations

In terms of regulations 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviations from Supply Chain Management	35,604,062	18,874,295
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Name of Company	Exceptional Cases	Sole Supplier	Emergencies	Total
Bacilac Investments T/A Enersele Technologies	61,479			61,479
Barloworld Equipment (Nelspruit)	721,822			721,822
Bell Equipment Sales South Africa Limited	202,592			202,592
Bidvest Office (Pty)Ltd T/A Bidvest Waltons/ A Div	1,340			1,340
Business Connexion (Pty) Ltd	34,500			34,500
Crawley'S Locksmiths	86,000			86,000
Da Moscow Trading	148,725			148,725
Daisy Mpumalanga	6,017			6,017
Deaf Federation Of Mpumalanga	4,600			4,600
Dept Of Community Safetysecurity And Liaison	85,644			85,644
Electro Systems	172,500			172,500
Fire Sibindi Electrical	166,229		530,202	696,430
G Shekwa Enterprise	1,230,298			1,230,298
Government Printing Works	77,678			77,678
Group Six T/A Alan Hudson Motors	22,957			22,957
Hasler Business Systems (Pty) Ltd	8,527			8,527
J Brynard T/A Amber Elektries	394,312	5,428		399,740
J P Barnard Drukkery Ond. CC T/A Minuteman Press	5,759			5,759
Komatsu S.A.(Pty)Ltd	879,716			879,716
Landis & Gyr (Pty) Ltd	1,362,750			1,362,750
Lithotech Sales Pretoria (Pty) Ltd	48,775			48,775
Lurod Investments	594,900			594,900
Mahhemu Trading (Pty)Ltd	188,385			188,385
Mandlakazi Electrical Technologies (Pty)Ltd	1,593,522			1,593,522
Media24	124,593			124,593
Mlopho Trading CC	347,025			347,025
Mpontsi General Trading CC	297,450			297,450
Mpu Copiers (Pty) Ltd (Mita Lowveld)	2,821			2,821
Mvulane 5787 Trading	495,750			495,750
Newthings Investment	4,735,109			4,735,109
Numbi Motors Pty Ltd	9,868			9,868
Payday Software Systems CC	18,929			18,929
Pro Eng Consulting Engineers	14,422			14,422
Proo Enviro Pty Ltd	495,750			495,750
Q T Supply And Electrical (Pty)Ltd	463,450			463,450
Rand Data Systemforms	25,185			25,185
Rushtail 4 T/A Khusele Electra	25,162			25,162
Sasfin Commercial Solutions (Global Trade)	19,200			19,200
Sibusisiwe Contractor T/A Sibusisiwe Electrical	92,049			92,049
Sima Tech Projects	495,750			495,750
Sipho Electrical Ta B & S Electrical	431,333		25,999	457,332
Siyabeketela Trading CC	594,900			594,900
South African Post Office	2,312			2,312
Southern Africa Fault Location	53,194			53,194
Syntell (Pty) Ltd	198,084			198,084
Tee Tee 15 Trading	892,350			892,350
The Lowvelder / Mpumalanga News L 0005908	681,067	18,656		699,723
Thukwase Trading Enterprise CC	396,600			396,600
Truvelo Africa Electronics Division	44,241			44,241
Truvelo Manu (Pty) Ltd	6,352			6,352
Uhuruwankha Trading Primary Co-Operative Ltd	297,450			297,450

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University Of Cape Town	29,100			29,100
Van Wettens Breakdown Services CC	13,110			13,110
Vangard Projects CC	365,019			365,019
Westvaal Motor Holdings Pty Ltd	5,949			5,949
Workshop Electronics CC	19,649			19,649
Covid-19 Deviations				
247 Khompho Trading Logistics			338,100	338,100
Asisebentisane Group Companies			338,100	338,100
Sabelo Sebatukulu CC			675,000	675,000
Mandlazi Semane Trading			845,250	845,250
Ntwaleng Trading (Pty) Ltd			169,050	169,050
Just That Consultant (Pty) Ltd			285,000	285,000
Just Right Cartridge CC			180,000	180,000
Nel Trophies CC			23,000	23,000
Neriah Trading And Projects			300,000	300,000
Siyaphambili Dhn Project			241,000	241,000
Sthembile Kwandokuhle			376,650	376,650
Mawane Resources (Pty) Ltd			375,000	375,000
Mabawa Projects (Pty) Ltd			233,950	233,950
Gvt Enterprise (Pty) Ltd			328,000	328,000
Gusheshe Logistics (Pty) Ltd			755,000	755,000
Malomini Strategists (Pty) Ltd			3,845,200	3,845,200
Leano N1 Construction Projects CC			2,653,803	2,653,803
Ngangaza Construction And Transport CC			327,032	327,032
Spetepete (Pty) Ltd			379,530	379,530
Dinaledi Tsa Metsi Trading And Projects			619,989	619,989
Makhayeni Sint Trading CC			264,377	264,377
Above And Beyond Trading 104 CC			528,754	528,754
Nkoboni Construction And Projects CC			354,613	354,613
Zwide Business Enterprise (Pty) Ltd			264,377	264,377
Asive All Logistics			265,377	265,377
Shawal Timbers And Forestry			265,377	265,377
Grand Total	19,792,250.61	24,083.76	15,787,728.23	35,604,062.60

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58. Unauthorised expenditure

Opening balance as previously reported	992,157,803	725,004,712
	992,157,803	725,004,712
Add: Unauthorised Expenditure - current year	480,284,450	267,153,091
Less: Amount written off - current	(400,687,599)	-
Less: Amount written off - prior period	(725,004,712)	-
Closing balance	346,749,942	992,157,803

The unauthorised expenditure incurred relates to the overspending of the approved 2019/2020 operating budget. Council has at its special and ordinary meetings held 30 October 2020 under items E(8) and A(3), approved the write-off of the unauthorized expenditure incurred emanating from an overspending on the approved operating budget.

59. Fruitless and wasteful expenditure

Opening balance as previously reported	85,649,700	47,607,841
Add: Fruitless and Wasteful Expenditure - interest charged	47,840,629	38,041,859
	133,490,329	85,649,700
Less: Amount written off - current	(36,356,440)	-
Less: Amount written off - prior period	(79,988,003)	-
Closing balance	17,145,886	85,649,700

The fruitless and wasteful expenditure incurred during the reporting period relates to interest charged on payments which were not made within 30 days on receipt of an invoice or statement in compliance with Section 65 of the Municipal Finance Management Act, 2003. The City continues to face persistent financial cash flow challenges, which impacted in its obligations to pay its suppliers timeously.

Council has, at its special council meetings held 30 October 2020, under items E(1), E(2), E(3), E(4), E(5), E(6), E(8), E(9), E(10) and E(11) resolved to write off the fruitless and wasteful expenditure incurred during the current reporting period and prior.

60. Irregular expenditure

Opening balance	698,777,179	489,842,162
Add: Irregular Expenditure - current year	170,986,379	137,362,607
Add: Irregular Expenditure identified in the current year relating to the prior year	-	71,572,410
	869,763,558	698,777,179
Less: Amount written off - current	(128,866,272)	-
Less: Amount written off - prior period	(186,810,251)	-
Closing balance	554,087,035	698,777,179

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Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Appointment of service providers without following the normal SCM processes to the later	Investigation in progress	5,219,806	-
Continuation of the multiple extended contracts without following Section 116 of the Municipal Finance Management Act no 56 of 2003 prior to the initial contract expiry dates	Investigation in progress	163,068,795	-
Irregular expenditure incurred due to non-compliance with SCM regulation 32 and non-disclosure of irregular award made by the organ of state	Investigation in progress	2,697,778	-
		170,986,379	-

Council has, at its special council meetings held 30 October 2020, under items E(7), E(8), E(13) and E(14) resolved to write-off of the irregular expenditure incurred during the current reporting period and prior, primarily relating to the continuation of multiple extended service delivery related projects, where the MFMA Section 116 process was not applied prior to the initial contract expiry date.

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61. Risk management

Financial risk management

The Municipality has exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the annual financial statements.

Council has established a risk management committee, which is responsible for reviewing the effectiveness of the institutional risk management systems, policy, procedures and practices.

Credit risk

Is the risk of financial loss to the Municipality if a consumer or counterparty to a financial instrument fails to meet its contractual obligations.

- Trade and other receivables from exchange transactions
- Non-current receivables from exchange transactions
- Investments
- Non-current investments
- Other non- current financial assets
- Cash and cash equivalents

Trade and other receivables from exchange transactions

The Municipality's trade and other receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the Municipality such as water, sanitation and rates levied. The Municipality's exposure is continuously monitored. The Municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of consumer and other receivables. No consumer or other receivables have been pledged as security. Certain consumer and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the consumer and other receivables have been re-negotiated with counterparties

Investments

It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the Municipality does not expect any counterparty to fail to meet its obligation.

Cash and cash equivalents

The Municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Maximum exposure to credit risk at reporting date for each class of financial assets was:

Cash and cash equivalents	73,019,665	125,696,817
Investments	100	100
Trade receivables from exchange transactions	323,743,429	166,097,387
Statutory receivables	116,013,456	115,293,035
Deposits	5,569,965	5,186,819
Trade and other receivables from exchange transactions	31,262,615	33,783,113
	549,609,230	446,057,271

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Impairment disclosure for current financial assets carried at amortised costs

All of the Municipality's financial assets have been reviewed for indicators of impairment. Refer to Note 7 for the impairment reconciliation of consumer and other receivables.

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments.

Interest rate risk

The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term borrowings and are therefore not linked to the interest bank repurchase rate. The municipality has only four interest bearing borrowings as indicated in Appendix A.

At year end, financial instruments exposed to interest rate risk were as follows:

- Investments
- Borrowings

Fair value sensitivity analysis on fixed rate instruments

The Municipality does not account for any fixed rate financial assets and liabilities at fair value through surplus and deficit, therefore a change in interest rates at reporting date will not affect surplus for the year.

Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The Municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Up to 1 Year

Current portion of borrowings	57,408,514	53,200,621
Other financial liabilities	4,363,967	3,853,005
Trade and other payables from exchange transactions	2,179,835,637	1,856,707,156
Other payables from non-exchange transactions	60,660,333	59,409,902
Consumer deposits	42,874,702	40,282,191
Finance lease obligation	-	2,818,416

1 - 5 years

Non - current portion of borrowings	136,564,507	96,491,388
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>5 years

Borrowings	116,686,071	116,686,071
	2,598,393,731	2,229,448,750

Concentration of credit risk

The concentration of the credit risk associated with:

Borrowings	12 %	12 %
Other financial liabilities	4 %	5 %
Trade and other payables from exchange transactions	84 %	83 %

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Financial Sustainability and Liquidity Management

The City has been unable to meet most of its current obligations by paying service providers within 30 days on receipt of invoice or statement in accordance with Section 65 of the Municipal Finance Management Act No 56 of 2003. Interest charged by suppliers have been disclosed as fruitless and wasteful expenditure to these financial statements.

The City has incurred a net loss of R 187 927 033 (2019: R 203 015 635) on the Statement of financial performance during the reporting period ended 30 June 2020. The net loss takes cognizance of other non-cash items which include depreciation and debt impairment. Liquidity management objectives have not been entirely met as the cash coverage ratio was less than a month which is below the norm of three months and the current ratio was fragile as the current liabilities exceeded the current assets by R 1 735 442 402 (2019: R 1 546 835 822) with an outcome assessment of less than one. The municipality was not able to maintain 100 per cent level of cash backed reserves during the reporting period. A material amount of receivables have been impaired due to non-collectability. Payment arrangements have been with major suppliers given the financial constraints of the City.

Council has at its meeting approved the liquidity policy at its meeting held 31 May 2019 under item A(4) (c) for implementation. The liquidity policy seeks to give guidance for maintaining sufficient liquidity intensities to meet the liabilities when due under both normal and stressed conditions without incurring any prohibited expenditure. Furthermore, the Revenue Enhancement Strategy for the City was approved by Council at the meeting held 31 May 2017 under item A(4).

The City has also developed Supply Chain Management sourcing strategy which was approved by Council at the meeting held 28 June 2017 under item A(4). One of the objectives of the sourcing strategy is to regulate prices on certain commodities in order to ensure that goods and services are procured in a most economic manner.

The City requested intervention from National Treasury to conduct the Municipal Financial Management Capability Maturity assessment for which the outcome was tabled before Council at its meeting held 28 June 2018 under item A(1). The Municipal Financial Management Capability Maturity Model assessed the maturity level of the municipality on various aspects of internal controls, policies and procedures and compliance with Legislation. An action plan to address the weaknesses identified through the Municipal Finance Management Capability Maturity Assessment has been developed and it is currently being implemented.

Furthermore, National Treasury was requested to assist with the development of a Financial Recovery Plan. The plan was approved by Council at its meeting held 28 June 2018 under item A(3). The City is implementing the approved Financial Recovery Plan and Council as well other internal and external stakeholders has been monitoring the implementation thereof on a quarterly basis.

The municipality continues to aggressively implement the financial interventions and revenue collection strategies in order to improve financial sustainability and liquidity management objectives

62. Events after the reporting date

Writing-off of Unauthorized, Fruitless and Wasteful and Irregular Expenditure

Council has at its special and ordinary meetings held 30 October 2020 under items E(8) and A(3), approved the write-off of the unauthorized expenditure incurred emanating from an overspending on the approved operating budget.

Council has, at its special council meetings held 30 October 2020, under items E(1), E(2), E(3), E(4), E(5), E(6), E(8), E(9), E(10) and E(11) resolved to write off the fruitless and wasteful expenditure incurred during the current reporting period and prior.

Council has, at its special council meetings held 30 October 2020, under items E(7), E(8), E(13) and E(14) resolved to write-off of the irregular expenditure incurred during the current reporting period and prior, primarily relating to the continuation of multiple extended service delivery related projects, where the MFMA Section 116 process was not applied prior to the initial contract expiry date.

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63. Budget differences

Material differences between budget and actual amounts greater than 10% based on the Table A1 of the budget schedules in accordance with the Municipal Budget and Reporting regulations No.32141

Statement of Financial Performance:

Revenue:

The City has significantly being impacted by the COVID-19 pandemic and subsequently national lockdown given the declared National State of Disaster. The disruption has negatively impacted on the generation and collection of revenue from customers during the national lockdown. The City will continue to invest on revenue optimisation initiatives in order to improve the financial distress situation of the institution.

1. Rental of Facilities and Equipment

The variance is attributable to the implementation of the stadium management model adopted by Council at its meeting held 30 November 2017 under item (7). The management model seeks to unlock potential revenue and achieve financial sustainability of the Stadia facility.

2. Agency Fees

The variance is as a result of the financial accounting and classification basis differences. The total amount (gross inflows) collected on behalf of the (principal) Department of Community Safety, Security and Liaison is budgeted for in full however for financial reporting purposes, the gross inflows of economic benefits or service potential does not result in an increase in net assets for the City. The agency commission received or receivable is recognised as revenue in accordance with the standards of Generally Recognised Accounting Practice (GRAP) 9 on agent and principal relationship. The City and the Provincial Department of Community Safety is in process of finalising the transfer of the function to the Province as its core mandate.

3. Licenses and permits

The variance is attributable to the implementation of national lockdown given the COVID-19 disruption..

4. Finance Income

The national lockdown has significantly resulted in an increase in trade receivables and subsequent interest charges due to severe financial impact it had on all sectors especially the hospitality industry. As part of the relief measures to assist customers, Council approved the covid-19 Property Rates Payment arrangement scheme for commercial customers at its meeting held 29 June 2020 under item A(2). The scheme was implemented during the 2020/2021 financial year.

The City continues to implement the financial recovery plan as part of the financial turnaround strategy which was tabled and approved by Council at its meeting held 28 June 2018 under item A(3). Council and other internal and external stakeholders exercise oversight responsibility on the implementation of the approved Financial Recovery Plan on a quarterly basis.

5. Fines, Penalties and Forfeits

The variance is mainly due to the implementation of the approved revenue enhancement strategy through roadblocks and the execution of Warrant of Arrest.

The City has also taken measures to increase the number of traffic officers within the jurisdiction of Mbombela with the objective of ensuring that all road users use roads in an orderly and safe manner.

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Expenditure:

6. Inventory Consumed

The variance is attributable to the acquisition and utilisation of materials and supplies for the maintenance and operations of electrical infrastructure assets. The City experienced numerous service delivery breakdowns during the reporting period. The City has developed maintenance plans for most of the assets in order to ensure adequate spending on repairs and maintenance.

7. Finance Costs

The major contributing cost driver is the interest charged by creditors for payments made after 30 days on receipt of the invoice or statement which has been disclosed in the notes to these annual financial statements as Fruitless and Wasteful Expenditure. The late payment of creditors is mainly due to the severe cash flow constraints faced by the City. The cost of operations continued to be high instigated by the trade payables balance from the 2018/2019 financial year. The City is implementing the approved Financial Recovery Plan in order to achieve the liquidity management objectives and improve financial sustainability. The results of the financial recovery plan will be yielded over years given the severity of the financial distress.

8. Operating leases

The variance is attributable to the tools of trade offered to full-time Executive Mayors as outlined in the Determination of Upper Limits of salaries, allowances and benefits of different members of municipal council.

9. Bad Debts Written Off

The variance is attributable to the differences between budgeting and financial accounting. The bad debts are written off are set off against the provision which is made each year based on the collection rate projections. The implementation of the Municipal Standard Chart of Accounts requires that the actual debt written off be disclosed as part of the operating expenses within the Statement of Financial Performance. The debt impairment expense is part of the gains and losses which is disclosed as impairment loss or gains.

Council has approved the writing off, of irrecoverable debt for the 2019/2020 financial year at its meeting held 15 June 2020 under item A(3).

10. Debt impairment

The variance on debt impairment expense is mainly due to the actual write off of irrecoverable debt approved by Council at its meeting held 15 June 2020 under item A(3). The Municipal Standard Chart of Accounts classify debt impairment expense as an impairment loss which falls under gains and losses. Debt impairment is calculated taking into account projected collection rate based on past trends and the percentage of debt that will not likely to be collected.

12. Bulk purchases

The variance on bulk purchases is mainly attributable to the increased electricity household connection driven by the service delivery protests from local communities.

13. Contracted services

The variance is primarily attributable to the expensing of certain expenditure funded from conditional grants which did not result in an asset in accordance with the asset definition and recognition criteria guided by the GRAP framework. The projects were budgeted for under the capital budget due to the service delivery nature however the asset definition and recognition criteria in terms of the Generally Recognised Accounting Practice (GRAP) framework could not be met.

14. Transfers and Subsidies

The variance is as a result of the basis differences. The difference is due to the provision of free basic water (first 6 kilolitres) to all communities as well as the provision of water to indigent consumers. The City also provides water to disadvantaged communities that have no access to water through other intervention measures. The 6kl free basic water within the concession area is the major cost driver for the actual expenditure incurred. The provision of water during the

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national lockdown was a key priority for the City in curbing the spread of the Covid-19 pandemic.

15. Operating costs

The variance in municipal operating costs is significantly attributable to the municipal services costs. These costs entail own consumption of electricity as a result of new boreholes and street lighting connections as well as water consumption costs.

Statement of Financial Position:

15. Current Assets

The variance on the current assets is primarily due to the Value Added Tax (VAT) receivable amount at year end from South African Revenue Services (SARS), electrical inventory items procured due to the persist breakdowns, cash and cash equivalents balance, deposits made to Eskom and the other receivables from exchange transactions.

The City had a closing balance of its cash and cash equivalents of R96 million in comparison to the budgeted amount of R148 million.

16. Current Liabilities

The variance is as a result of the significantly increased trade and other payables from exchange transactions, current portion of the borrowings and consumer deposits. The national lockdown has fundamentally disrupted the revenue generation and collection during the financial year with fixed costs that needed to be honoured. The City had to make payment arrangements with key organisations payable given the limited revenue sources collected during the national lockdown period.

The City continues to implement the approved financial recovery plan approved by Council at its meeting held 28 June 2018 under item A(3) and the cost curtailment strategy. The implementation of the approved financial recovery plan, approved revenue enhancement strategy and the cost curtailment strategy will enable the City to build cash backed reserves and be able to meet its financial and liquidity management objectives.

Council and other internal and external stakeholders exercise oversight responsibility on the implementation of the approved Financial Recovery Plan on a quarterly basis.

17. Non-Current Liabilities

The variance is mainly attributable to the non-current portion of the provisions which consists on the provision for the rehabilitation of the Landfill sites and the provision for the Long Service Awards determined in accordance with the Standards of GRAP 19 and 25 respectively.

Cash Flow Statement:

18. Net cash flows from operating activities

The variance was caused by the impact of the national lockdown on commercial customers and the relaxation of credit control and debt collection enforcement during the month of April 2020 period. The under collection of revenue relates to revenue sources such as other income items which includes traffic fines, revenue collected from bad debts recovered and service contribution revenue. The approved revenue enhancement strategy includes various measures to unlock and enhance the revenue generation and collection for the City.

19. Net cash flows used in investing activities

All service delivery projects were impacted from the inception of the national lockdown in March until June 2020. The restricted human resources capacity through rotation system given the health protocols also delayed the implementation of the service delivery projects.

20. Net cash flows from financing activities

The variance is due to the repayment of the borrowings during the reporting financial year. The City had to request for the restructuring of the borrowings given the severe financial constraints primarily concreted by the national lockdown and financial impact thereof.

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Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters as well additional grant funding that was allocated to the municipality. The original approved budget was amended to include the roll over committed capital projects, to project and align the revenue and expenditure with the set targets and milestones based on the mid year budget performance assessment and the previous financial year's audited annual financial statements. The ordinary adjustments budget was approved by council at its meeting held 31 January 2020 under item A(9) in line with the provisions of section 28 of Municipal Finance Management Act no 56 of 2003.

The changes between the approved adjusted budget and the final approved budget was as a result of a special adjustments budget to provide COVID-19 expenditure and related reprioritisation in line with MFMA Municipal Standard Chart of Accounts (SCOA) circular No. 9 dated 09 June 2020. The special adjustmentd budget was approved by council at its meeting held 15 June 2020 under item A(1). Furthermore the changes between the approved adjusted budget and the final budget was as a result of budget virements in line with the approved virement policy of Council. The final approved budget considering the virement was approved by council aits meeting held 30 October 2020 under item A(3).

City of Mbombela
Appendix A

Unaudited Schedule of Interest bearing borrowings as at 30 June 2020

Loan Number	Redeemable	Balance at 30 June 2019	Received during the period	Redeemed written off during the period	Balance at 30 June 2020		
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock							
Stock Loan@ 11.60%	1976/2001	3,000	-	-	3,000	-	-
		3,000	-	-	3,000	-	-
Annuity loans							
DBSA R138 600 000 @ base rate of R186 plus the Margin (11.73%)	2014/2029	133,797,888	11,219,045	27,506,983	117,509,950	-	-
DBSA R200 000 000 @ 12.62%	2010/2030	128,155,725	28,854,074	21,269,171	135,740,628	-	-
STD R25 000 000 @ 10.50%	2005/2020	4,424,427	-	4,424,427	-	-	-
		266,378,040	40,073,119	53,200,581	253,250,578	-	-
Annuity loans							
Total external loans		266,381,040	40,073,119	53,200,581	253,253,578	-	-

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Appendix B

Unaudited Analysis of property, plant and equipment as at 30 June 2020

Cost							Accumulated depreciation						
Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Land and buildings

Land	631,419,320	-	(441,235)	-	-	630,978,085	-	-	-	-	-	-	630,978,085
Buildings	1,523,610,549	6,398,948	-	12,297,587	-	1,542,307,084	(670,490,597)	-	-	(70,408,522)	(447,479)	(741,346,598)	800,960,486
	2,155,029,869	6,398,948	(441,235)	12,297,587	-	2,173,285,169	(670,490,597)	-	-	(70,408,522)	(447,479)	(741,346,598)	1,431,938,571

Infrastructure

Roads, Pavements, Bridges & Storm water	3,356,711,339	45,829,789	-	56,313,675	-	3,458,854,803	1,737,203,403	-	-	(236,117,362)	-	(1,973,320,765)	1,485,534,038
Water	2,737,604,441	8,813,615	-	(778,074,632)	-	1,968,343,424	1,000,104,095	-	-	(39,996,917)	-	(1,040,101,012)	928,242,412
Electricity	1,269,329,489	14,518,458	-	5,483,695	-	1,289,331,642	(717,803,697)	-	-	(53,275,060)	-	(771,078,757)	518,252,885
Waste management	55,205,780	-	-	-	(8,610,382)	46,595,398	(11,492,178)	-	-	(1,070,906)	-	(12,563,084)	34,032,314
Waste water	1,154,272,071	-	-	(220,438,939)	-	933,833,132	(475,723,968)	-	-	(39,684,655)	-	(515,408,623)	418,424,509
Service concession asset - Grantor	-	2,539,374	-	1,015,988,497	-	1,018,527,871	-	-	-	(56,743,402)	-	(56,743,402)	961,784,469
	8,573,123,120	71,701,236	-	79,272,296	-	8,715,486,270	3,942,327,341	-	-	(426,888,302)	-	(4,369,215,643)	4,346,270,627

Community Assets

Libraries	98,791,111	-	-	-	-	98,791,111	(13,828,021)	-	-	(10,632,300)	-	(24,460,321)	74,330,790
	98,791,111	-	-	-	-	98,791,111	(13,828,021)	-	-	(10,632,300)	-	(24,460,321)	74,330,790

City of Mbombela
City of Mbombela
Appendix B

Unaudited Analysis of property, plant and equipment as at 30 June 2020

Cost						Accumulated depreciation							
Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Heritage assets

Other	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970

Other assets

Transport assets	203,063,863	4,872,608	(822,167)	-	-	-	207,114,304	(165,628,913)	536,913	-	(24,803,247)	-	(189,895,247)	17,219,057
Machinery and equipment	46,933,345	538,732	(15,862)	-	-	-	47,456,215	(23,048,813)	11,956	-	(4,782,752)	-	(27,819,609)	19,636,606
Computer equipment	50,217,710	4,103,000	(272,032)	-	-	-	54,048,678	(27,143,255)	156,255	-	(5,050,762)	-	(32,037,762)	22,010,916
Furniture and equipment	73,981,065	736,246	(195,389)	-	-	-	74,521,922	(42,279,053)	123,509	-	(5,033,420)	-	(47,188,964)	27,332,958
	374,195,983	10,250,586	(1,305,450)	-	-	-	383,141,119	(258,100,034)	828,633	-	(39,670,181)	-	(296,941,582)	86,199,537

City of Mbombela
City of Mbombela
Appendix B

Unaudited Analysis of property, plant and equipment as at 30 June 2020

Cost	Accumulated depreciation
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	Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	2,155,029,869	6,398,948	(441,235)	12,297,587	-	-	2,173,285,169	(670,490,597)	-	-	(70,408,522)	(447,479)	(741,346,598)	1,431,938,571
Infrastructure	8,573,123,120	71,701,236	-	79,272,296	-	(8,610,382)	8,715,486,270	3,942,327,341	-	-	(426,888,302)	-	(4,369,215,643)	4,346,270,627
Community Assets	98,791,111	-	-	-	-	-	98,791,111	(13,828,021)	-	-	(10,632,300)	-	(24,460,321)	74,330,790
Heritage assets	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
Other assets	374,195,983	10,250,586	(1,305,450)	-	-	-	383,141,119	(258,100,034)	828,633	-	(39,670,181)	-	(296,941,582)	86,199,537
	1,203,677,200	88,350,770	(1,746,685)	91,569,883	-	(8,610,382)	1,373,240,786	4,884,981,140	828,633	-	(547,599,305)	(447,479)	5,432,199,291	5,941,041,495
Construction work in progress														
Infrastructure	911,555,632	442,357,394	-	(91,569,882)	-	-	1,262,343,144	-	-	-	-	-	-	1,262,343,144
	911,555,632	442,357,394	-	(91,569,882)	-	-	1,262,343,144	-	-	-	-	-	-	1,262,343,144
Intangible assets														
Computers - software & other	17,519,583	556,069	-	-	-	-	18,075,652	(6,625,632)	-	-	(1,594,208)	-	(8,219,840)	9,855,812
Licence & servitudes	5,389,698	-	-	-	-	-	5,389,698	(777,805)	-	-	-	-	(777,805)	4,611,893
	22,909,281	556,069	-	-	-	-	23,465,350	(7,403,437)	-	-	(1,594,208)	-	(8,997,645)	14,467,705
Investment properties														
Investment property	355,215,226	-	-	-	-	-	355,215,226	(24,768,858)	-	-	(2,309,410)	-	(27,078,268)	328,136,958
	355,215,226	-	-	-	-	-	355,215,226	(24,768,858)	-	-	(2,309,410)	-	(27,078,268)	328,136,958
Total														
Land and buildings	2,155,029,869	6,398,948	(441,235)	12,297,587	-	-	2,173,285,169	(670,490,597)	-	-	(70,408,522)	(447,479)	(741,346,598)	1,431,938,571
Infrastructure	8,573,123,120	71,701,236	-	79,272,296	-	(8,610,382)	8,715,486,270	3,942,327,341	-	-	(426,888,302)	-	(4,369,215,643)	4,346,270,627
Community Assets	98,791,111	-	-	-	-	-	98,791,111	(13,828,021)	-	-	(10,632,300)	-	(24,460,321)	74,330,790
Heritage assets	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
Other assets	374,195,983	10,250,586	(1,305,450)	-	-	-	383,141,119	(258,100,034)	828,633	-	(39,670,181)	-	(296,941,582)	86,199,537
Construction work in progress	911,555,632	442,357,394	-	(91,569,882)	-	-	1,262,343,144	-	-	-	-	-	-	1,262,343,144
Intangible assets	22,909,281	556,069	-	-	-	-	23,465,350	(7,403,437)	-	-	(1,594,208)	-	(8,997,645)	14,467,705
Investment properties	355,215,226	-	-	-	-	-	355,215,226	(24,768,858)	-	-	(2,309,410)	-	(27,078,268)	328,136,958
	2,493,357,339	531,264,233	(1,746,685)	1	-	(8,610,382)	3,014,264,506	4,917,153,435	828,633	-	(551,502,923)	(447,479)	5,468,275,204	7,545,989,302

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Unaudited Analysis of property, plant and equipment as at 30 June 2019

Cost							Accumulated depreciation						
Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Land and buildings

Land	637,667,026	-	-	(6,247,706)	-	-	631,419,320	-	-	-	-	-	631,419,320
Buildings	1,502,954,481	1,511,094	-	19,144,974	-	-	1,523,610,549	(612,492,660)	-	(57,997,937)	-	(670,490,597)	853,119,952
	2,140,621,507	1,511,094	-	12,897,268	-	-	2,155,029,869	(612,492,660)	-	(57,997,937)	-	(670,490,597)	1,484,539,272

Infrastructure

Roads, Pavements, Bridges & Storm	3,182,323,158	105,435,816	-	68,952,365	-	-	3,356,711,339	1,498,840,754	-	(238,362,649)	-	1,737,203,403	1,619,507,936
Water	2,692,534,640	21,777,426	-	23,292,375	-	-	2,737,604,441	(925,570,571)	-	(74,533,524)	-	1,000,104,095	1,737,500,346
Electricity	1,260,443,372	5,786,728	-	3,099,389	-	-	1,269,329,489	(663,185,241)	-	(54,618,456)	-	(717,803,697)	551,525,792
Waste management	58,002,853	-	-	-	(2,797,073)	-	55,205,780	(10,435,061)	-	(1,057,117)	-	(11,492,178)	43,713,602
Water water	1,140,020,399	3,396,081	-	10,855,591	-	-	1,154,272,071	(435,764,822)	-	(39,959,146)	-	(475,723,968)	678,548,103
	8,333,324,422	136,396,051	-	106,199,720	-	(2,797,073)	8,573,123,120	3,533,796,449	-	(408,530,892)	-	3,942,327,341	4,630,795,779

Community Assets

Libraries	87,642,620	11,148,491	-	-	-	-	98,791,111	(12,942,692)	-	(885,329)	-	(13,828,021)	84,963,090
	87,642,620	11,148,491	-	-	-	-	98,791,111	(12,942,692)	-	(885,329)	-	(13,828,021)	84,963,090

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Unaudited Analysis of property, plant and equipment as at 30 June 2019

Cost						Accumulated depreciation							
Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Heritage assets

Other	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970

Specialised vehicles

Other assets

Transport assets	188,683,928	15,469,832	-	-	-	(1,089,897)	203,063,863	(147,432,979)	820,640	-	(19,016,574)	-	(165,628,913)	37,434,950
Machinery and equipment	44,972,722	1,960,623	-	-	-	-	46,933,345	(18,293,141)	-	-	(4,755,672)	-	(23,048,813)	23,884,532
Computer equipment	49,453,161	1,165,717	-	-	-	(401,169)	50,217,709	(23,188,308)	206,234	-	(4,161,181)	-	(27,143,255)	23,074,454
Furniture and equipment	71,479,057	2,510,088	-	-	-	(8,000)	73,981,145	(37,431,590)	121	-	(4,847,584)	-	(42,279,053)	31,702,092
	354,588,868	21,106,260	-	-	-	(1,499,066)	374,196,062	(226,346,018)	1,026,995	-	(32,781,011)	-	(258,100,034)	116,096,028

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Unaudited Analysis of property, plant and equipment as at 30 June 2019

Cost

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	2,140,621,507	1,511,094	-	12,897,268	-	-	2,155,029,869	(612,492,660)	-	-	(57,997,937)	-	(670,490,597)	1,484,539,272
Infrastructure	8,333,324,422	136,396,051	-	106,199,720	-	(2,797,073)	8,573,123,120	3,533,796,449	-	-	(408,530,892)	-	(3,942,327,341)	4,630,795,779
Community Assets	87,642,620	11,148,491	-	-	-	-	98,791,111	(12,942,692)	-	-	(885,329)	-	(13,828,021)	84,963,090
Heritage assets	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
Other assets	354,588,868	21,106,260	-	-	-	(1,499,066)	374,196,062	(226,346,018)	1,026,995	-	(32,781,011)	-	(258,100,034)	116,096,028
	0,918,714,534	170,161,896	-	119,096,988	-	(4,296,139)	1,203,677,279	4,385,812,966	1,026,995	-	(500,195,169)	-	4,884,981,140	6,318,696,139
Construction work in progress														
Infrastructure	681,572,630	355,327,696	-	(125,344,694)	-	-	911,555,632	-	-	-	-	-	-	911,555,632
	681,572,630	355,327,696	-	(125,344,694)	-	-	911,555,632	-	-	-	-	-	-	911,555,632
Intangible assets														
Computers - software & other	16,899,527	620,056	-	-	-	-	17,519,583	(5,385,419)	-	-	(1,240,213)	-	(6,625,632)	10,893,951
Licence & servitudes	5,389,698	-	-	-	-	-	5,389,698	(777,805)	-	-	-	-	(777,805)	4,611,893
	22,289,225	620,056	-	-	-	-	22,909,281	(6,163,224)	-	-	(1,240,213)	-	(7,403,437)	15,505,844
Investment properties														
Investment property	355,087,733	-	-	127,493	-	-	355,215,226	(22,656,853)	-	-	(2,112,005)	-	(24,768,858)	330,446,368
	355,087,733	-	-	127,493	-	-	355,215,226	(22,656,853)	-	-	(2,112,005)	-	(24,768,858)	330,446,368
Total														
Land and buildings	2,140,621,507	1,511,094	-	12,897,268	-	-	2,155,029,869	(612,492,660)	-	-	(57,997,937)	-	(670,490,597)	1,484,539,272
Infrastructure	8,333,324,422	136,396,051	-	106,199,720	-	(2,797,073)	8,573,123,120	3,533,796,449	-	-	(408,530,892)	-	(3,942,327,341)	4,630,795,779
Community Assets	87,642,620	11,148,491	-	-	-	-	98,791,111	(12,942,692)	-	-	(885,329)	-	(13,828,021)	84,963,090
Heritage assets	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
Other assets	354,588,868	21,106,260	-	-	-	(1,499,066)	374,196,062	(226,346,018)	1,026,995	-	(32,781,011)	-	(258,100,034)	116,096,028
Construction work in progress	681,572,630	355,327,696	-	(125,344,694)	-	-	911,555,632	-	-	-	-	-	-	911,555,632
Intangible assets	22,289,225	620,056	-	-	-	-	22,909,281	(6,163,224)	-	-	(1,240,213)	-	(7,403,437)	15,505,844
Investment properties	355,087,733	-	-	127,493	-	-	355,215,226	(22,656,853)	-	-	(2,112,005)	-	(24,768,858)	330,446,368
	1,977,664,122	526,109,648	-	(6,120,213)	-	(4,296,139)	2,493,357,418	4,414,633,043	1,026,995	-	(503,547,387)	-	4,917,153,435	7,576,203,983

City of Mbombela

Appendix G1

Unaudited Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2020

	2019/2020								2018/2019						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional															
Municipal governance and administration	1,433,068,294	29,508,000	1,462,576,294	-		1,462,576,294	1,598,369,808		135,793,514	109 %	112 %				1,427,101,895
Executive and council	951,210	-	951,210	-		951,210	1,721,434		770,224	181 %	181 %				70,129
Finance and administration	1,432,117,084	29,508,000	1,461,625,084	-		1,461,625,084	1,596,648,374		135,023,290	109 %	111 %				1,427,031,766
Corporate services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	9,984,228	200,000	10,184,228	-		10,184,228	10,601,229		417,001	104 %	106 %				29,471,148
Community and social services	907,224	200,000	1,107,224	-		1,107,224	1,680,922		573,698	152 %	185 %				12,917,359
Sport and recreation	1,538,052	-	1,538,052	-		1,538,052	3,965,664		2,427,612	258 %	258 %				8,064,439
Public safety	7,538,952	-	7,538,952	-		7,538,952	4,954,643		(2,584,309)	66 %	66 %				8,489,350
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	579,815,823	266,256,000	846,071,823	-		846,071,823	641,031,981		(205,039,842)	76 %	111 %				593,339,707
Planning and development	578,801,427	68,040,000	646,841,427	-		646,841,427	554,258,154		(92,583,273)	86 %	96 %				547,750,671
Road transport	1,014,177	198,216,000	199,230,177	-		199,230,177	86,773,827		(112,456,350)	44 %	8,556 %				45,589,036
Environmental protection	219	-	219	-		219	-		(219)	- %	- %				-
Trading services	1,424,380,529	-	1,424,380,529	-		1,424,380,529	1,343,495,811		(80,884,718)	94 %	94 %				1,277,078,496
Energy sources	1,154,044,058	-	1,154,044,058	-		1,154,044,058	1,084,505,969		(69,538,089)	94 %	94 %				1,027,125,680
Water management	115,953,799	-	115,953,799	-		115,953,799	106,305,171		(9,648,628)	92 %	92 %				106,922,117
Waste water management	23,826,266	-	23,826,266	-		23,826,266	22,504,939		(1,321,327)	94 %	94 %				21,873,762
Waste management	130,556,406	-	130,556,406	-		130,556,406	130,179,732		(376,674)	100 %	100 %				121,156,937
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Functional	3,447,248,874	295,964,000	3,743,212,874	-		3,743,212,874	3,593,498,829		(149,714,045)	96 %	104 %				3,326,991,246

City of Mbombela

Appendix G1

Unaudited Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2020

	2019/2020								2018/2019						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	705,478,333	(39,577,322)	665,901,011	-	-	665,901,011	845,984,075	113,543,158	180,083,064	127 %	120 %	-	-	-	852,856,628
Executive and council	154,913,818	(18,706,984)	136,206,834	-	11,664,485	147,871,319	136,941,488	(10,929,831)	(10,929,831)	93 %	88 %	-	-	-	129,996,533
Finance and administration	541,157,734	(21,221,256)	519,936,478	-	52,847,162	572,783,640	696,838,796	124,055,156	124,055,156	122 %	129 %	-	-	-	711,371,381
Corporate services	9,406,781	350,918	9,757,699	-	2,028,259	11,785,958	12,203,791	417,833	417,833	104 %	130 %	-	-	-	11,488,714
Community and public safety	423,027,724	23,221,796	446,249,520	-	26,369,699	472,619,219	379,472,918	(93,146,301)	(93,146,301)	80 %	90 %	-	-	-	311,769,649
Community and social services	69,354,162	3,857,315	73,211,477	-	(8,326)	73,203,151	63,499,387	(9,703,764)	(9,703,764)	87 %	92 %	-	-	-	45,708,263
Sport and recreation	197,145,143	20,336,520	217,481,663	-	24,963,612	242,445,275	165,935,109	(76,510,166)	(76,510,166)	68 %	84 %	-	-	-	159,947,728
Public safety	143,384,449	(2,261,202)	141,123,247	-	1,440,568	142,563,815	136,311,568	(6,252,247)	(6,252,247)	96 %	95 %	-	-	-	95,596,749
Housing	13,143,970	1,289,163	14,433,133	-	(26,155)	14,406,978	13,726,854	(680,124)	(680,124)	95 %	104 %	-	-	-	10,516,909
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	452,958,146	44,120,772	497,078,918	-	(21,935,220)	475,143,698	707,461,676	164,636,953	232,317,978	149 %	156 %	-	-	-	561,923,139
Planning and development	169,077,979	(11,156,666)	157,921,313	-	(6,670,899)	151,250,414	105,629,319	(45,621,095)	(45,621,095)	70 %	62 %	-	-	-	91,653,896
Road transport	275,146,626	47,705,653	322,852,279	-	(15,246,738)	307,605,541	585,421,588	210,135,022	277,816,047	190 %	213 %	-	-	-	451,577,260
Environmental protection	8,733,541	7,571,785	16,305,326	-	(17,583)	16,287,743	16,410,769	123,026	123,026	101 %	188 %	-	-	-	18,691,983
Trading services	1,634,905,253	(77,356,958)	1,557,548,295	-	31,247,999	1,588,796,294	1,826,147,471	237,351,177	237,351,177	115 %	112 %	-	-	-	1,788,983,873
Energy sources	946,115,593	(42,797,015)	903,318,578	-	(13,403,737)	889,914,841	938,541,514	48,626,673	48,626,673	105 %	99 %	-	-	-	964,701,373
Water management	304,169,970	(15,726,828)	288,443,142	-	28,131,488	316,574,630	477,051,576	160,476,946	160,476,946	151 %	157 %	-	-	-	450,640,388
Waste water management	143,042,415	(16,582,009)	126,460,406	-	(1,774,350)	124,686,056	38,840,851	(85,845,205)	(85,845,205)	31 %	27 %	-	-	-	25,507,981
Waste management	241,577,275	(2,251,106)	239,326,169	-	18,294,598	257,620,767	371,713,530	114,092,763	114,092,763	144 %	154 %	-	-	-	348,134,131
Other	33,556,982	(1,225,578)	32,331,404	-	(190,120)	32,141,284	22,359,722	(9,781,562)	(9,781,562)	70 %	67 %	-	-	-	-
Other	33,556,982	(1,225,578)	32,331,404	-	(190,120)	32,141,284	22,359,722	(9,781,562)	(9,781,562)	70 %	67 %	-	-	-	14,473,592
Total Expenditure - Functional	3,249,926,438	(50,817,290)	3,199,109,148	-	102,032,264	3,301,141,412	3,781,425,862	412,603,425	480,284,450	115 %	116 %	-	-	-	3,530,006,881
Surplus/(Deficit) for the year	197,322,436	346,781,290	544,103,726	-		442,071,462	(187,927,033)		(629,998,495)	(43)%	(95)%				(203,015,635)

City of Mbombela
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2020

2019/20												2018/2019		
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote														
Council	659,005	-	659,005	-	659,005	1,647,195		988,190	250 %	250 %				526,114
Municipal Manager	9,248,369	-	9,248,369	-	9,248,369	9,225,526		(22,843)	100 %	100 %				8,149,776
Financial Management	1,428,589,351	29,508,000	1,458,097,351	1,067,495	1,459,164,846	1,593,056,932		133,892,086	109 %	112 %				1,423,944,336
Corporate Services	658,306	-	658,306	-	658,306	367,683		(290,623)	56 %	56 %				659,140
Public Works and Transport	553,508,000	86,800,000	640,308,000	19,200,000	659,508,000	587,814,797		(71,693,203)	89 %	106 %				537,807,519
Emergency	1,154,044,058	-	1,154,044,058	-	1,154,044,058	1,083,098,749		(70,945,309)	94 %	94 %				1,027,125,680
Water and Sanitation	130,824,249	-	130,824,249	-	130,824,249	119,658,823		(11,165,426)	91 %	91 %				120,717,976
Community Services	133,001,682	200,000	133,201,682	-	133,201,682	135,826,318		2,624,636	102 %	102 %				142,138,735
Public Safety and	8,565,288	198,216,000	206,781,288	-	206,781,288	48,008,497		(158,772,791)	23 %	561 %				54,074,221
City planning	28,150,566	(18,760,000)	9,390,566	-	9,390,566	14,794,310		5,403,744	158 %	53 %				11,847,749
Total Revenue by Vote	3,447,248,874	295,964,000	3,743,212,874	20,267,495	3,763,480,369	3,593,498,830		(169,981,539)	95 %	104 %				3,326,991,246
Expenditure by Vote to be appropriated														
Council	70,876,453	(5,342,732)	65,533,721	-	11,174,180	76,707,901	70,286,264	6,421,637	(6,421,637)	92 %	99 %	-	-	54,494,393
Office Of Council	28,706,178	(3,575,957)	25,130,221	-	(1,269,271)	23,860,950	25,579,103	(1,718,153)	1,718,153	107 %	89 %	-	-	25,279,550
strategic Management	41,498,276	(2,060,555)	39,437,721	-	(1,244,249)	38,193,472	36,130,338	2,063,134	(2,063,134)	95 %	87 %	-	-	36,395,117
Municipal Manager	113,002,735	(4,803,954)	108,198,781	-	4,451,685	112,650,466	239,424,726	(126,774,260)	126,774,260	213 %	212 %	-	-	226,660,211
Financial Management	244,259,784	(16,963,833)	227,295,951	-	(13,237,000)	214,058,951	319,622,618	(105,563,667)	105,563,667	149 %	131 %	-	-	402,761,062
Legal Services	2,622,578	11,806,774	14,429,352	-	7,065,173	21,494,525	26,882,660	(5,388,135)	5,388,135	125 %	1,025 %	-	-	9,948,617
Regional Centre coordinator	22,444,764	8,754,102	31,198,866	-	10,149,035	41,347,901	35,883,903	5,463,998	(5,463,998)	87 %	160 %	-	-	28,952,059
Corporate Services	163,338,470	(9,297,900)	154,040,570	-	16,520,119	170,560,689	166,669,997	3,890,692	(3,890,692)	98 %	102 %	-	-	158,055,307
Public Works and Trasport	408,461,212	(41,663,113)	366,798,099	-	53,089,279	419,887,378	454,112,549	(34,225,171)	34,225,171	108 %	111 %	-	-	443,126,880
Emergency	942,942,182	(42,660,559)	900,281,623	-	(6,678,948)	893,602,675	963,134,869	(69,532,194)	69,532,194	108 %	102 %	-	-	909,902,912
Water and Sanitation	344,725,811	(21,257,769)	323,468,042	-	18,454,694	341,922,736	431,783,745	(89,861,009)	89,861,009	126 %	125 %	-	-	390,586,746
Community Services	472,771,005	23,714,586	496,485,591	-	41,497,568	537,983,159	551,498,162	(13,515,003)	13,515,003	103 %	117 %	-	-	510,216,244
Public Safety	275,944,250	59,374,235	335,318,485	-	(29,191,607)	306,126,878	360,825,900	(54,699,022)	54,699,022	118 %	131 %	-	-	259,516,442
City planning	118,332,740	(6,840,615)	111,492,125	-	(1,737,320)	109,754,805	99,591,027	10,163,779	(10,163,778)	91 %	84 %	-	-	74,111,341
Total Expenditure by Vote	3,249,926,438	(50,817,290)	3,199,109,148	-	109,043,338	3,308,152,486	3,781,425,861	(473,273,374)	473,273,375	114 %	116 %	-	-	3,530,006,881
Surplus/(Deficit) for the year	197,322,436	346,781,290	544,103,726	20,267,495	455,327,883	(187,927,031)		(643,254,914)	(41)%	(95)%				(203,015,635)

City of Mbombela
Appendix G3
Unaudited Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2020

	2019/2020							2018/2019							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	642,359,999	-	642,359,999	-		642,359,999	651,716,932		9,356,933	101 %	101 %				631,259,690
Service charges - electricity revenue	1,119,103,971	-	1,119,103,971	-		1,119,103,971	1,048,364,433		(70,739,538)	94 %	94 %				995,105,522
Service charges - water revenue	111,490,751	-	111,490,751	-		111,490,751	102,897,572		(8,593,179)	92 %	92 %				103,692,358
Service charges - sanitation revenue	23,825,828	-	23,825,828	-		23,825,828	22,504,509		(1,321,319)	94 %	94 %				21,829,633
Service charges - refuse revenue	130,556,406	-	130,556,406	-		130,556,406	130,179,732		(376,674)	100 %	100 %				121,200,571
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				12,420,493
Rental of facilities and equipment	8,463,706	-	8,463,706	-		8,463,706	9,510,077		1,046,371	112 %	112 %				11,676,380
Interest earned - external investments	6,328,720	-	6,328,720	-		6,328,720	6,542,282		213,562	103 %	103 %				7,382,508
Interest earned - outstanding debtors	27,344,842	10,000,000	37,344,842	-		37,344,842	43,765,841		6,420,999	117 %	160 %				27,028,465
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	8,099,222	-	8,099,222	-		8,099,222	14,400,813		6,301,591	178 %	178 %				10,321,426
Licences and permits	-	6,256,000	6,256,000	-		6,256,000	2,992,773		(3,263,227)	48 %	DIV/0 %				3,260,826
Agency services	-	192,000,000	192,000,000	-		192,000,000	40,108,580		(151,891,420)	21 %	DIV/0 %				42,316,544
Transfers and subsidies	733,561,000	1,073,000	734,634,000	-		734,634,000	890,325,508		155,691,508	121 %	121 %				763,700,929
Other revenue	53,432,429	15,622,201	69,054,630	-		69,054,630	49,736,401		(19,318,229)	72 %	93 %				62,402,709
Gains on disposal of PPE	-	-	-	-		-	115,993,629		115,993,629	DIV/0 %	DIV/0 %				50,838,131
Total Revenue (excluding capital transfers and contributions)	2,864,566,874	224,951,201	3,089,518,075	-		3,089,518,075	3,129,039,082		39,521,007	101 %	109 %				2,864,436,185

City of Mbombela
Appendix G3
Unaudited Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2020

2019/2020											2018/2019				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Expenditure By Type															
Employee related costs	1,010,482,794	(52,360)	1,010,430,434	-	-	1,010,430,434	1,010,610,519	(180,085)	180,085	100 %	100 %	-	-	-	936,949,440
Remuneration of councillors	43,864,650	(1,000,000)	42,864,650	-	16,000,000	58,864,650	58,537,188	327,462	(327,462)	99 %	133 %	-	-	-	39,466,130
Debt impairment	106,974,062	(7,950,996)	99,023,066		-	99,023,066	229,885,128	(130,862,062)	130,862,062	232 %	215 %	-	-	-	243,757,993
Depreciation & asset impairment	545,584,877	(30,087,050)	515,497,827		(4,029,999)	511,467,828	551,510,227	(40,042,399)	40,042,399	108 %	101 %	-	-	-	505,569,230
Finance charges	45,677,147	-	45,677,147	-	(12,717,000)	32,960,147	80,084,037	(47,123,890)	47,123,890	243 %	175 %	-	-	-	90,665,330
Bulk purchases	839,462,215	(30,976,930)	808,485,285	-	(28,053,545)	780,431,740	853,257,171	(72,825,431)	72,825,431	109 %	102 %	-	-	-	746,300,391
Other materials	54,212,103	(10,270,077)	43,942,026	-	(3,840,775)	40,101,251	52,216,801	(12,115,550)	12,115,550	130 %	96 %	-	-	-	50,343,245
Contracted services	406,823,668	20,797,966	427,621,634	-	182,812,765	610,434,399	684,299,792	(73,865,393)	73,865,393	112 %	168 %	-	-	-	627,515,358
Transfers and subsidies	32,669,592	(26,169,174)	6,500,418	-	845,620	7,346,038	16,658,146	(9,312,108)	9,312,108	227 %	51 %	-	-	-	44,373,351
Other expenditure	164,175,330	34,891,331	199,066,661	-	(41,973,728)	157,092,933	242,971,750	(85,878,817)	85,878,817	155 %	148 %	-	-	-	244,862,008
Loss on disposal of PPE	-	-	-	-	-	-	1,395,104	(1,395,104)	1,395,104	DIV/0 %	DIV/0 %	-	-	-	204,405
Total Expenditure	3,249,926,438	(50,817,290)	3,199,109,148	-	109,043,338	3,308,152,486	3,781,425,863	(473,273,377)	473,273,377	114 %	116 %	-	-	-	3,530,006,881
Surplus/(Deficit)	(385,359,564)	275,768,491	(109,591,073)	-	(109,043,338)	(218,634,411)	(652,386,781)	473,273,377	(433,752,370)	298 %	169 %				(665,570,696)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	582,682,000	86,800,000	669,482,000	-		669,482,000	464,459,747		(205,022,253)	69 %	80 %				462,555,061
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	197,322,436	362,568,491	559,890,927	-		559,890,927	(187,927,034)		(747,817,961)	(34)%	(95)%				(203,015,635)
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	197,322,436	362,568,491	559,890,927	-		559,890,927	(187,927,034)		(747,817,961)	(34)%	(95)%				(203,015,635)
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	197,322,436	362,568,491	559,890,927	-		559,890,927	(187,927,034)		(747,817,961)	(34)%	(95)%				(203,015,635)
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	197,322,436	362,568,491	559,890,927	-		559,890,927	(187,927,034)		(747,817,961)	(34)%	(95)%				(203,015,635)